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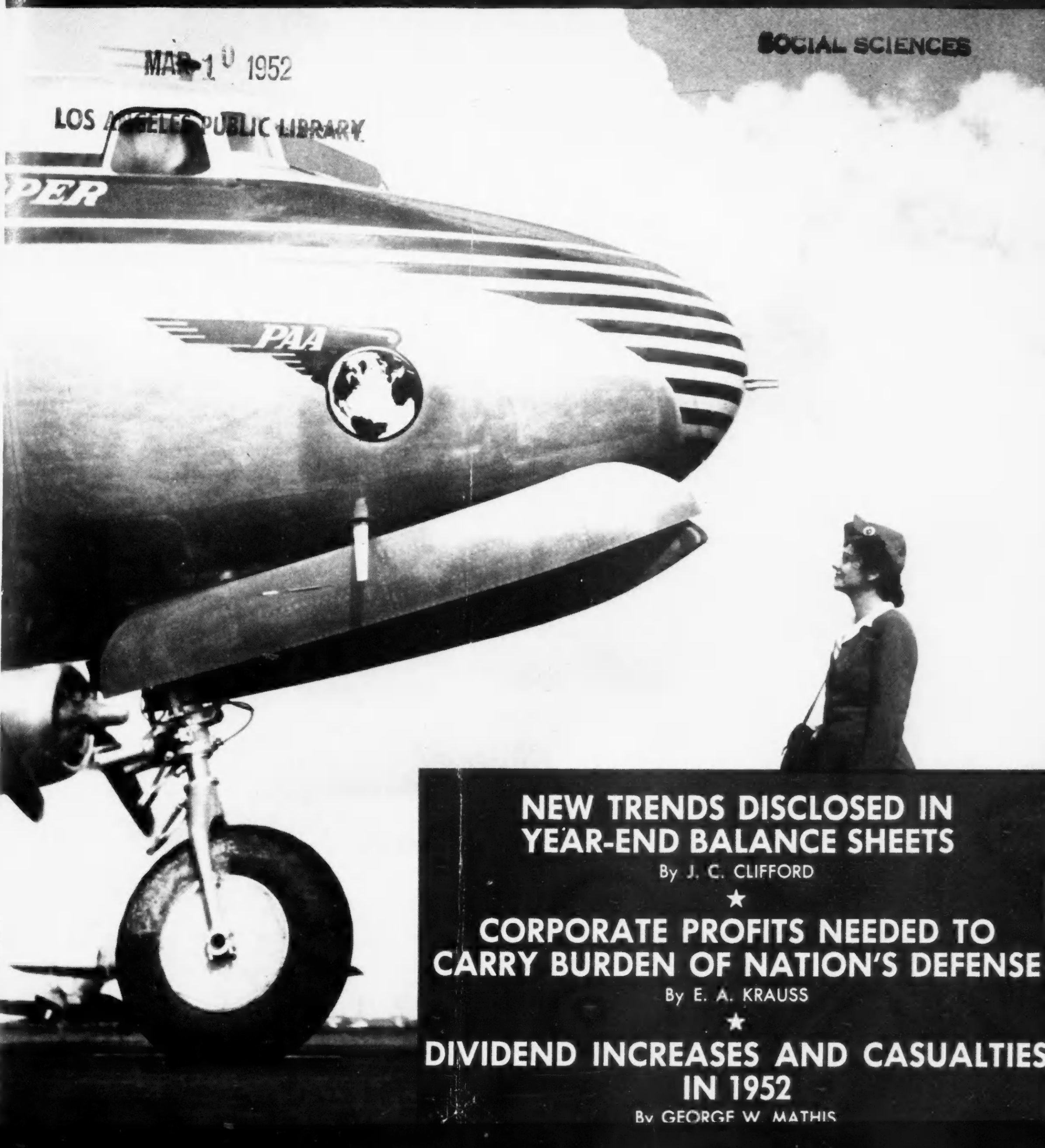

NEW TRENDS DISCLOSED IN YEAR-END BALANCE SHEETS
By J. C. CLIFFORD

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CORPORATE PROFITS NEEDED TO CARRY BURDEN OF NATION'S DEFENSE
By E. A. KRAUSS

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DIVIDEND INCREASES AND CASUALTIES IN 1952
By GEORGE W. MATHIS

Don't Just Sit There . . . Do Something! This situation was not at all uncommon back in the "days when." Of course you didn't have parkways in those days and automobiles weren't what they are today either.

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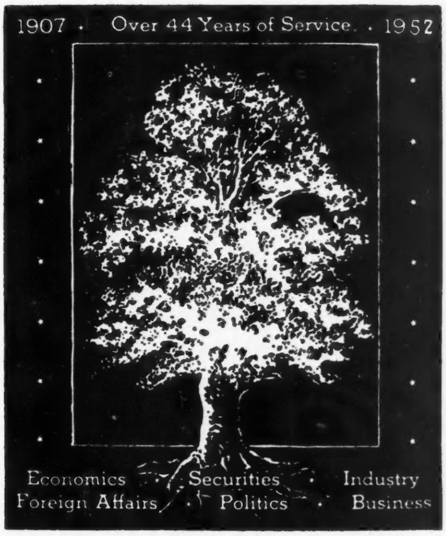
BELL TELEPHONE SYSTEM

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher* E. A. KRAUSS, *Managing Editor*



The Trend of Events

THE GREAT POLICY BATTLE . . . The financial and business communities which are greatly interested in, and probably a good deal concerned about, the outcome of the investigation into monetary and fiscal policy launched by the Patman committee are probably feeling somewhat reassured after reading the committee's first publication—on the whole objective in character and consisting of two volumes of replies to questionnaires submitted by the committee to Government officials and others interested in monetary and public debt problems.

The Treasury, the Federal Reserve Board, the Reserve Bank presidents, President Truman's Council of Economic Advisers and several hundred private experts rolled out their heavy artillery to fight the battle of monetary policy—the question of the effectiveness, desirability and safety of a general tightening of credit and rise in interest rates to prevent inflation. The net result was a field strewn with wounded arguments; despite agreement on many points and a willingness to cooperate, the issue remains very much in question.

Thus the Treasury and the Federal Reserve Board, which reconciled their immediate differences over fiscal and monetary policy in a "full accord" early last March, still hold widely divergent views on how they can best work for a stable economy now and under various hypothetical conditions in the future.

The Federal Reserve Board believes, as it always did, that substantial reliance should be placed on the traditional methods of achieving general credit restraint through open market operations, rediscounting and manipulating reserve requirements. Treasury Secretary Snyder still distrusts these techniques and is opposed to anything more than an ultra-cautious use of them because he fears that general restraints might upset the Government bond market and make it difficult if not impossible for him to carry out Government financing operations.

That the heads of the two leading policy making bodies should continue to hold conflicting views on the subject is not particularly surprising. Probably of greater interest to many is the attitude of Representative Patman, the committee's chairman, who has been one of the most outspoken inflationists in times past. The fact that the inquiry was launched under his leadership was a cause for considerable misgivings.

Reassuringly one finds Mr. Patman, in his foreword to the committee publication just released, rather cautious about committing himself. Recognizing that the subject matter with all its interrelations and many facets is immense, he states that "only one result of . . . the committee's . . . deliberations can be confidently predicted: that is that the fundamental issues involved will be found vastly too complex to permit of facile generalization."

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

That admission, coming from Mr. Patman, in itself is reassuring. So is his opinion that the replies to his questions, as regards the unpegging of the Government bond market a year ago, are inconclusive; and his promise that his committee "will sift this matter further and come to such conclusions as it believes appropriate with respect to the extent to which a general tightening of credit can and should be used as an instrument in combatting inflation under present and other conditions." That certainly doesn't sound like the erstwhile inflationist.

But not all is reassuring, for Mr. Patman also shows that he wants Administration officials, and not an independent Board of Governors appointed by the President, to have the final say on fundamental credit policy decisions. At least he has reiterated flatly his own predilection for strengthening the role of the executive branch of the Federal Government in the formulation of Federal Reserve policy, subject only to the most general directions laid down by Congress.

Mr. Patman of course is only one member of the five-man committee he heads, and he may change his mind in the light of future testimony. But so long as the chairman holds to his preconception about who shall be responsible for the formulation of credit policy, misgivings are bound to persist. For on that particular point, Mr. Patman shows that his mind is made up.

BIGNESS ... Until not so long ago, "big business" was the target of those who saw in bigness an inherent public danger. To protect the public interest, a legislative wall was built around corporate operations. Laws were passed to insure fairness in competition and to guarantee an even break for the small operator. Anti-trust suits were filed to whittle industrial giants down to less "dangerous" size. Bigness in fact was attacked on virtually every front.

Today, not so much is heard about the "bigness" of business though the relative silence may be only temporary. There seems to be greater public acceptance of bigness in business as necessary for efficiency provided that ample safeguards against abuse exist. And the usefulness and efficiency of big business in furthering defense goals are particularly recognized.

But bigness has developed, and continues to develop, in other directions. We have bigness in labor organization which perhaps was a natural outgrowth of bigness in business. But above all, we have "big government," and many people are uneasy about it, for they do not know where it will lead, or where it will end. Some believe that bigness in government is leading straight into socialism, and that it must be feared and certainly surrounded by all necessary safeguards.

How big is Government today? It is the nation's biggest single employer, with thirty million people directly or indirectly on its payroll.

Our Government has mortgages on banks, railroads, manufacturing plants, and private homes. It operates railroads, canals, power plants, printing plants, news services, universities, steamships and radio. And it is the nation's biggest money lender.

Government is in business in competition with private enterprise and is operating its businesses on tax money collected from private business. Little wonder many insist that we are watching socialism being purchased with our own money.

People in Government scoff at fears that we are going socialistic, yet there is increasing awareness that the present trend can well end in socialism because socialism everywhere is merely another name for big government. Certainly, as we turn over ever greater power to Government, we must consider that tomorrow's heirs of those in power today may not be so benign. Another danger is that we are conditioning the people to acceptance of centralized power.

Big Government may well be necessary just as big business is indispensable under modern conditions. But there is need for ample safeguards—in either case. Just as the people have insisted on safeguards against possible abuse by big business, they must insist on safeguards against the indubitable dangers inherent in big government.

LIQUIDITY . . . Declining corporate liquidity, discussed in a special article elsewhere in this issue, apparently is running parallel to a similar development among individuals. That at least is the conclusion one must draw from interesting facts on debt marshalled by the Institute of Life Insurance. They show that the American people last year again added to their debts more than they did to their cash assets, despite the fact that credit terms were stiffer and individual savings in the aggregate showed a decided increase over previous years. It marked the sixth year in a row in which total individual debts have risen faster than the total of personal cash assets.

These cash assets increased by an estimated $6 billion in 1951 to reach a total of approximately $161.5 billion at the year-end. But as against this, personal debts are estimated to have increased by over $8 billion during the year. For the six-year period, from the end of World War II through the close of 1951, the total of personal debts showed a record rise of more than $55 billion to an estimated $90 billion. In contrast, liquid assets of individuals increased by only about $23 billions in the period, rising to an estimated $161.5 billions at the close of last year.

This means that the people as a whole expanded their debts more than twice as fast as their cash assets since the war's end, something that probably is not generally realized. The result has been a substantial decline in the personal liquidity ratio, with the people owing 55 cents for every dollar of cash assets they possess, against only 25 cents in 1945. What's more, nearly six out of every ten spending units were in debt to some extent early in 1951; the personal debt, in other words, is fairly widely distributed.

True, the present personal liquidity ratio of 55% is considerably better than it was at the outbreak of World War II when the ratio was 84%, a figure that explains the economic problems that existed back in 1939 and 1940 before our entry into the war. Furthermore, many more people than before now have substantial amounts of long-term savings like life insurance and other assets they can fall back on in an emergency.

Nevertheless, conditions are radically different in many ways today than they were a decade or so ago, what with the uncertainties at home and abroad. If present consumer buying attitudes are a criterion, such prudence is being exercised. The individual debt picture in fact goes far to explain consumer attitudes.

As I See It!

By ROBERT GUISE

NATO—STILL ONLY A BLUEPRINT

On the eve of the Lisbon conference, NATO was on the verge of collapse. Collapse, and therefore an enormous disaster to American foreign policy, was narrowly averted by compromises between France and Germany, and with promises of American financial aid serving as a major persuader. Thus instead of collapsing, NATO lives on and probably has gained strength. But it would go too far to say that the Lisbon meeting was a great success; just as it would be inaccurate to term it a complete failure.

What should not be lost sight of is that the precipice is still there. While some real progress has been made, the NATO concept of a solidly defended and solidly united Western community still is only a blueprint which any of a number of events could tear to shreds. Certainly the fall of the French Cabinet should serve as a reminder of that. NATO met for the avowed purpose of establishing a Western European defense force to discourage a Russian attack, or to contain such an attack. It now has "adopted" plans towards that end—but only plans, and even the plans are running into trouble.

"SLOWLY EMERGING?"

Marcus in The N. Y. Times

The French Cabinet fell because the Parliament would not vote the funds felt necessary to meet the rearmament budget, and it's getting increasingly harder to form new French cabinets. Any deGaulle victory in France would seriously jeopardize the NATO setup as presently planned, if not the NATO concept itself.

Apart from that, the West German Government cannot put a single division into training, let alone into the European army, until all the parliaments concerned ratify the international army project, and Germany must go through a general election long before its divisions will be ready. There are pitfalls on that road too.

Finally, all estimates of what Europe will do rest on the assumption that the American Congress will do a great deal—vote about $8 billion for foreign aid, for one thing—and betting on Congress in an election year can be risky business.

In view of this, there is some opinion that the Lisbon meeting, apart from formalizing the delays which already have arisen in the formation of a European army, reflects a tendency to sweep under the carpet problems that cannot readily be solved—with particular emphasis on the possibility that the French and German parliaments may repudiate the agreements reached by their shaky governments.

These agreements are subject to all kinds of reservations and conditions, and thus may work out as planned or not. Nevertheless, it cannot be denied that Lisbon marked an important milestone. Whether it will lead to success, whether it will finally put flesh and bones on the Western community depends on many things, and not the least on ourselves. For the time being, American satisfaction over the Lisbon decisions seems to reflect not only a feeling that something has been accomplished but also a sense of relief that serious trouble has been averted—and this is perhaps not quite as negative as it sounds.

The real obstacles now center on uncertainties over the European countries' economic capacity to bear the burdens of rearmament—as evidenced by the French political troubles; (*Please turn to page* 668)

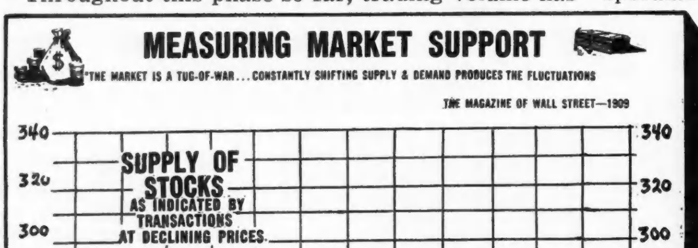
Market in Testing Area

Following further decline in the early part of the last fortnight, the market staged a minor rally which quickly lost steam. Indications of a solid base of support are yet to be provided. At the moment, there is a better basis for a cautious-to-neutral view than for assertive bearish opinion, pending more light on prospects and more definite trend evidence.

By A. T. MILLER

The market's retreat from the January highs was carried somewhat farther within the last fortnight, due to a fairly sharp slide in the forepart of the week ended February 23. The reaction low to date was recorded February 20. It has been followed, through the end of last week, by a minor rally. Pending a further test over nearby weeks, there is nothing sufficiently positive in the performance to indicate whether a firm base of support has been reached or whether the rally is a mere interruption in an unfinished downswing.

Throughout this phase so far, trading volume has remained quite moderate, as it was throughout the preceding phase of advance from late November into the third week of January. Because the basic supporting and restraining factors have been fairly closely balanced, it has been a market of limited swings, both ways, for more than a year, with selective divergences within the market more significant than the performance of the averages. The upswings have terminated without "blow-off" tendencies in volume; and the declines have ended without the selling "climaxes" so often seen in more speculative markets of the past.



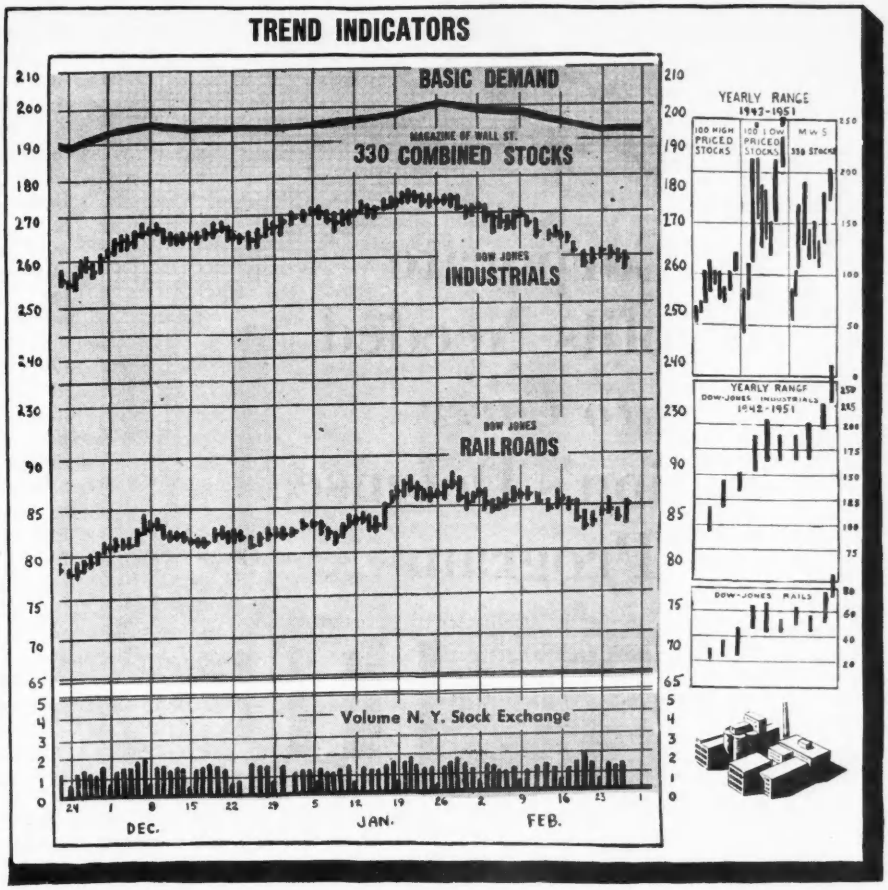
A Mixed Picture

The Dow industrial average made successive new bull-market highs last February, May and September, failing to exceed the latter at its January top, although some more inclusive indexes of industrial stocks bettered all former levels, including 1929, in January. All averages of rail stocks have failed on repeated upswings to better the high of February, 1951. Utilities came to the fore only in comparatively recent months, after lagging throughout the greater part of the general market advance begun in mid-1949. Among the individual stock groups, the major highs to date have been scattered all the way from as far back as the late spring of 1950 (pre-Korea) to January of this year.

It would take a more extensive general sell-off than has yet been seen, and a subsequent test of upside action, to throw any conclusive light on the question whether a real liquidating market began at the January, 1952, highs. As we have pointed out before, there can be protracted periods without any broadly sustained market trend, during which bull-market or bear-market terminology, even if technically correct, has little meaning for investors. The long period between autumn of 1946 and mid-1949 was one of them; and we have had more of a selective trading-range market for the last year

than continuation of a typically inclusive bull trend.

There have been four declining phases since February, 1951, amounting in terms of the Dow industrial average to 4.6%, 7.8%, 7.4% and 6.1%, respectively, the latter being the decline from January 22 to February 20; and three upswings of 7.9%, 13.9% and 7.6%, respectively. (Bear in mind that any percentage decline is equivalent to twice that much advance). In the modern regulated, investment-dominated market, corrective reactions have rarely exceeded 8% or so, although a few deeper sell-offs have been precipitated by news shocks. The recent decline could go moderately further without raising a strong presumption of a bearish trend, subject to additional supporting evidence in the form of inferior action on the first intermediate recovery.



The retreat to date has resulted from a decidedly moderate volume of selling in a market made thin by reduced investment and speculative demand. With nearly 87% of the November-January rise of the industrial average cancelled at the February 20 low, and about 48% of that of the rail average, selling pressure has subsided at least for the time being. That, rather than any significant revival of demand for stocks, is the main reason for the subsequent mild rally, which must be assumed to be primarily technical on the evidence currently at hand.

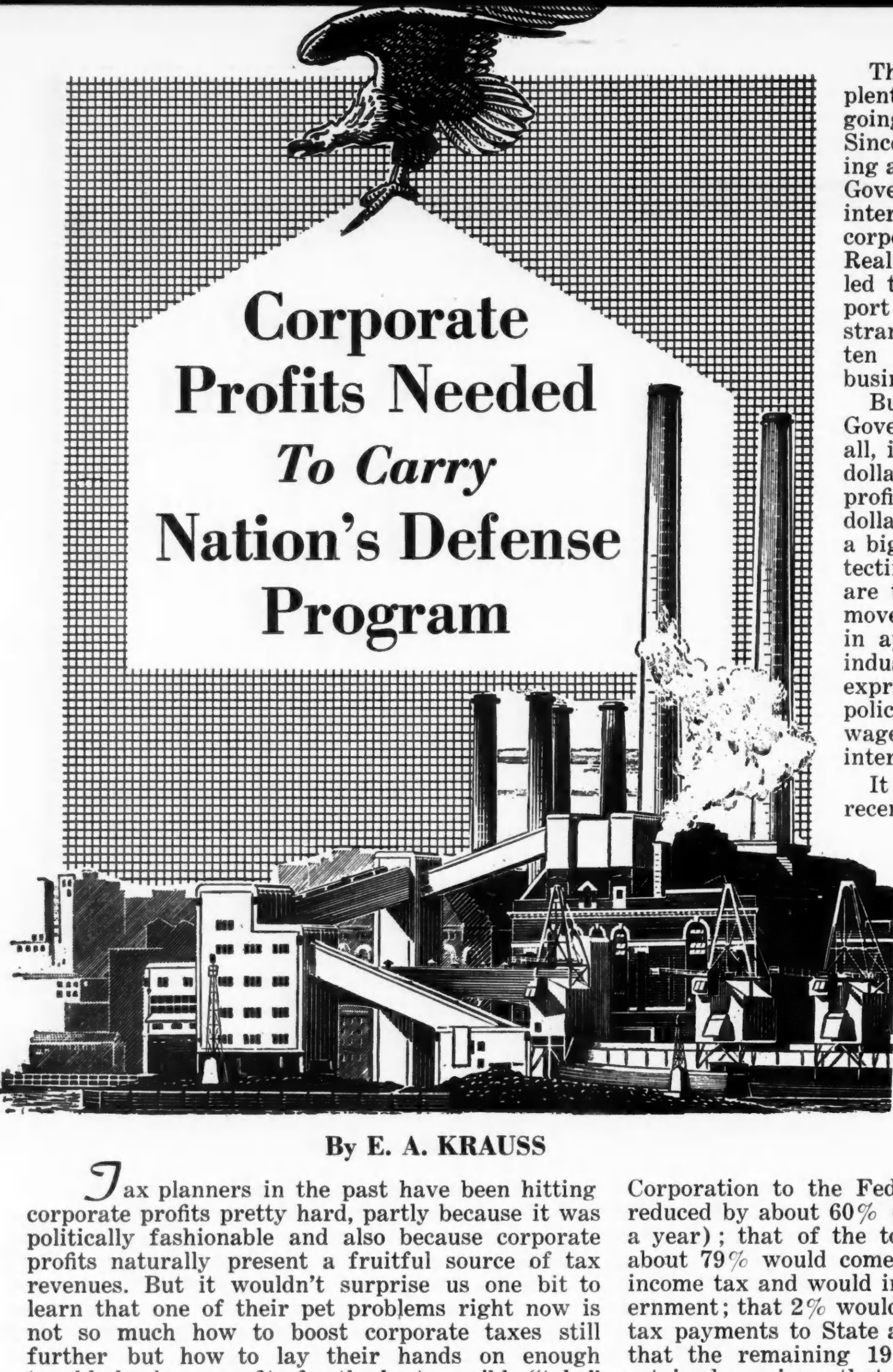
There are both internal—which is to say technical—and external reasons for this decline. Looking first at the former, the advancing phases have been paced mainly, although not exclusively, by a limited number of exceptionally popular stock groups, taking them into historically high ground, making them increasingly vulnerable and progressively exhausting the most dynamic upside leadership. Among the more important groups which had "gone to town" earlier, only oils, coppers, radio-video stocks and air lines bettered previous highs at their January tops. Such formerly favored groups as chemicals, drugs, paper, rayon, and tires did not. Neither did a number of lesser groups previously in moderate favor; while such important cyclical groups as steels, automobiles, farm equipment, machinery, rail equipment, building materials and many others remained in the doldrums.

The market needs both a sufficient shake-down in basically favored groups to reactivate investment demand, and the development of new patterns of selective leadership. Potentialities for the latter appear none too broad under existing circumstances; for, generally speaking, investors see little or no allure in stocks regarded as having merely average or sub-average long-term (post-defense) merit, regardless of their moderate price-earnings ratios and high yields. Also on the technical side, declines around this season, following December-January advances, have been normal expectancy in years without a dynamic general bull trend. Preparation for March 15 tax payments probably has something to do with it; and they are particularly heavy in this instance.

The External Factors

External considerations which have tended to reduce demand for stocks and induce some selling are: the relatively slow pace of the stretched-out arms program; easing commodity prices; dull retail trade, continuing inventory adjustments in a number of lines of civilian business; and the Government's indicated deflationary first-quarter cash surplus.

There is uncertainty, of course, whether there will be a Korean armistice or spreading war in Asia; and also about the consequences of the Presidential election; and, looking further ahead, there is no little concern about the business outlook after defense spending reaches its now projected early-1953 peak. Otherwise, the balance of the visible 1952 factors remains close enough to suggest probable support for the market, at *(Please turn to page 668)*



Corporate Profits Needed *To Carry* Nation's Defense Program

The Government needs money, plenty of it, to keep rearmament going and deficits within bounds. Since corporate taxes are footing a bigger share than ever, the Government has a very direct interest in the maintenance of corporate profits at high levels. Realization of this already has led to an official policy to support profits, which may seem strange if one considers the often critical attitude towards business profits of the past.

But it makes sense, for the Government's stake is big. After all, it gets 52 cents out of each dollar of ordinary corporate profits, and 82 cents out of each dollar of excess profits. That's a big slice, and well worth protecting. Protectionary policies are taking the form of various moves such as greater leniency in applying controls to civilian industries, but particularly find expression in price and wage policies. Right now, the steel wage negotiations provide an interesting test.

It probably did not need the recent testimony of "Big Steel's" president Fairless to demonstrate to the Government what higher steel wages, without compensating price increases, would mean in terms of tax losses, but the point was nevertheless made—appropriately and tellingly so. President Fairless told a panel of the Wage Stabilization Board that in such an event, the amount of taxes paid by U. S. Steel Corporation to the Federal Government would be reduced by about 60% (or by roughly $240 million a year); that of the total cost of the wage hike, about 79% would come off the company's Federal income tax and would in effect be paid by the Government; that 2% would come out of the company's tax payments to State and local governments; and that the remaining 19% would be taken out of retained earnings, that is money that would otherwise be plowed back into the company.

By E. A. KRAUSS

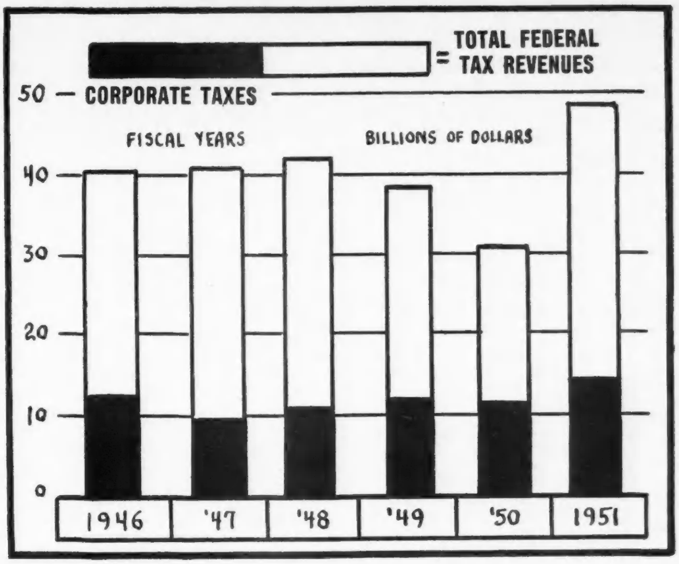
Tax planners in the past have been hitting corporate profits pretty hard, partly because it was politically fashionable and also because corporate profits naturally present a fruitful source of tax revenues. But it wouldn't surprise us one bit to learn that one of their pet problems right now is not so much how to boost corporate taxes still further but how to lay their hands on enough taxable business profits for the best possible "take" at existing rates.

The trouble is that while the Government's appetite for tax money is becoming ever more voracious, tax collectors seem to be running into a scarcity of taxable profits. The scarcity, if we can call it that, as yet isn't serious by any means. Taxable business profits remain big but tax needs are growing apace. In the circumstances, any drop in business earnings would quickly upset Government income and budget calculations. And earnings have been tending lower in various industries. It's been a source of some concern because it is all too plain what might happen, were business profits to decline materially across the board.

A Sobering Picture

Mr. Fairless further warned that if steel workers get what they are asking, similar pay increases almost certainly would spread throughout industry, with similar tax repercussions unless compensating price increases are granted. Altogether, in the latter event, he figured that the tax cost to the Government of a general new round of wage boosts would come to some $11 billion.

It's a sobering picture alright, even though perhaps slightly exaggerated since there is little like-



lihood that the steel workers will get all they want. But even if they get only part of their demands, say a 15c hourly pay increase, tax implications would still be tremendous. Hence the Government's efforts to find ways and means to permit price increases so as to protect its tax revenues from serious erosion. For every dollar decline of excess profits, the Government stands to lose 82 cents, the company only 18 cents. It is obvious whose stake is biggest!

A Fateful Dilemma

Trying to protect industry's profits may be something new for the Government, but available alternatives are dangerous and hardly popular. One would be increased budget deficits to be made up by large scale borrowing which would be highly inflationary and bring our national debt closer to the danger point. Another way would be to raise other taxes, particularly personal income taxes but this, apart from being highly unpopular, would immediately create other problems.

Rates would have to be increased in the middle and lower income brackets since those applying to the upper brackets are already so high that little more could be squeezed out of them. Any such shifting of the load, on the other hand, would reduce consumer purchasing power to an extent that would be quickly felt by the economy. The end-result would still be lower corporate profits, and lower tax revenues therefrom. What the Government actually faces is a two-pronged dilemma: The need to bolster purchasing power, but also business to avoid shrinking profits and taxes.

Whatever happens, an increase in steel wages will cost the Government a considerable amount. Some of it will be in the form of lost tax revenues unless there is full price compensation which appears unlikely. Some will arise from generally higher costs of goods—including defense items—which the Government must buy.

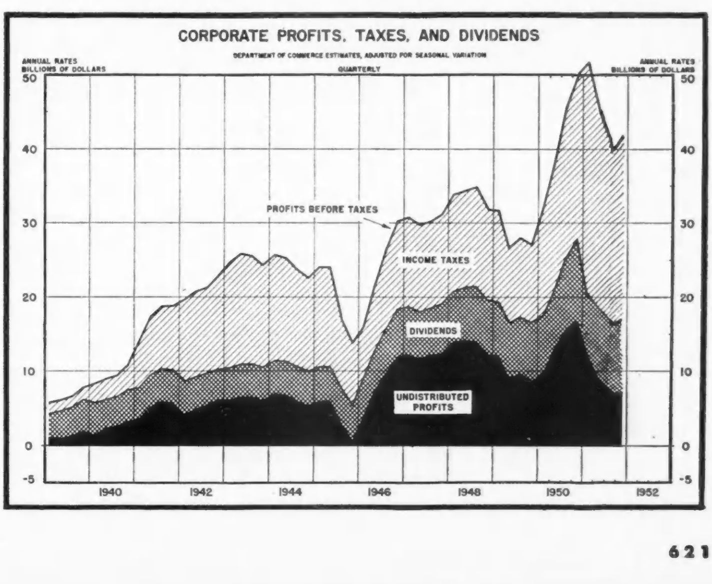
Little wonder that the realities of revenue needs are now showing up in official thinking and policy making. Look at the overall picture. Last year, American corporations hung up a new record for pretax earnings—an estimated $44.8 billion compared with $41.4 billion in 1950. But tax liability rose to $26.7 billion from $18.6 billion, leaving profits after taxes at about $18.1 billion against $22.8 billion.

The significance of the rising corporate tax liability stands out when last year's total of $26.7 billion is compared with aggregate budget receipts of $62 billion assumed for fiscal 1953, and $71 billion for fiscal 1953. In the latter year, however, corporations out of their profits are counted upon to pay the Treasury some $27.8 billion, an even larger slice of the total, an expectation that would become quickly academic if taxable earnings decline. And corporate pretax earnings, overall, may well be in a downtrend this year if the slump in certain civilian industries is allowed to persist, be it because of forced cutbacks to conserve vital materials for the arms effort, or because of lagging consumer buying.

Hence the change in earnings position in certain "depressed" industries doubtless received close attention because it furnishes a warning example of what may happen if civilian business continues to slide. Take for instance the experience of Bigelow-Sanford Carpet Company whose tax liability, because of poor 1951 business and inventory losses, dropped to nil from $6.2 million in 1950. Or Burlington Mills whose annual tax liability declined from $21.6 million to $13.3 million while that of Pacific Mills plummeted from $4.8 million to $900,000.

Other Substantial Tax Losses

Servel, Inc., which reported a deficit last year, got a *tax credit* of $1.2 million instead of *paying* the Treasury a similar amount as it did in 1950. Chrysler's tax liability dropped to $79 million from $123 million; that of Nash-Kelvinator to $16.7 million from $26.1 million. Other examples of declining tax liability are listed in the appended table. There are many more, of course, and some of them as in



the textile industry reveal drastic drops. Once annual reports of all the textile companies are out, it will probably be found that the Treasury received from them hundreds of millions less in taxes than it did in previous and more prosperous years.

Declining business is one cause of lower taxable earnings. Another is found in rising costs, a factor that currently tends to shrink profit margins and revenues. Hence a general round of wage boosts, unless offset by higher prices, presents such a threat even if sales volume remains high.

How Rising Costs Pinch Taxable Earnings

An interesting example of rising costs generally is provided by the experience of Radio Corporation whose sales last year rose, overall, by 2.2% but costs mounted even more, by about 9%, with the result that taxable earnings were materially lower. Tax liability as a consequence shrank to $33.2 million from $50.7 million in the preceding year—despite the higher sales volume.

Examples like this must necessarily provide food for thought for the tax collectors. If the arms program is to get along and budget deficits are to be held to a minimum, taxable profits must be maintained and this can only be done if the level of general business is kept high. That means not just defense business, but civilian business which remains by far the most important segment of the economy in our partial mobilization effort.

In recognition of this, there has been a de-emphasis of the speed-up rate of arms spending, the latest one-year stretch-out which provides for a later, but longer sustained though lower peak of arms spending, and thereby less pressure on civilian industries, somewhat more metals for them to permit better maintained civilian goods production. It should also mean less inflationary pressure and thereby greater price stability, with less excuse for organized labor to agitate for upsetting rounds of new wage demands, courting new wage-price spirals. Price stability, additionally, would certainly be more apt to stimulate consumer buying than a further rise in living costs. Price resistance, as we know, is already widespread.

Even so, it is uncertain whether the Government may realize its goal of tax revenues from business despite the fact that higher corporate tax rates will apply to all of 1952. Consumer durable goods industries, including the important auto and appliance industries, will be considerably less active this year unless restrictions are further relaxed later in the year which is possible. Building activity will be smaller, with restrictive repercussions on many related industries which normally profit from active construction business.

Lower volume naturally raises production costs and break-even points, tending to reduce profits, hence the need to revise ceiling price policies to maintain adequate profits. Latest developments in this direction form another part of the Government's moves to protect profits. Prices high enough to enable an industry to earn 10% on net worth, calculated before Federal income and excess profits taxes, is now to be the general rule by which the Office of Price Stabilization will set ceiling figures, at least until further notice. It replaces a previous formula which denied ceiling price increases if an industry was making as much as 85% of its average pre-tax earnings of the best three of the four years 1946-49.

The new formula will probably have a similar effect as the much criticized Capehart amendment, since adjusting ceilings with reference to a fixed percentage of an industry's net worth must frequently pass all incurred cost increases into permitted prices, instead of only those ante-dating July 1951. In that respect, it might be a more reasonable type of price regulation than permitted under the Capehart amendment.

Government a Majority Partner in Profits

The "profit scarcity," in other words, is attacked on many fronts, with measures taken not always openly connected with the fundamental goal which is to prevent a serious sliding off of corporate earnings.

The problem of business profits has of course many angles, and for management it may be just as tough as for the Government—not to mention the stockholder whose stake is by no means negligible but all too often considered last.

Essentially, the big drop in 1951 corporate net earnings is due to the fact that corporations have a new majority partner—the U. S. Government which took a record-breaking cut of 60% of all corporate profits. Even during World War II, Uncle Sam's take never exceeded 58%. In 1951, tax collectors left corporations considerably less than in 1950—and even less than in 1947 and 1948.

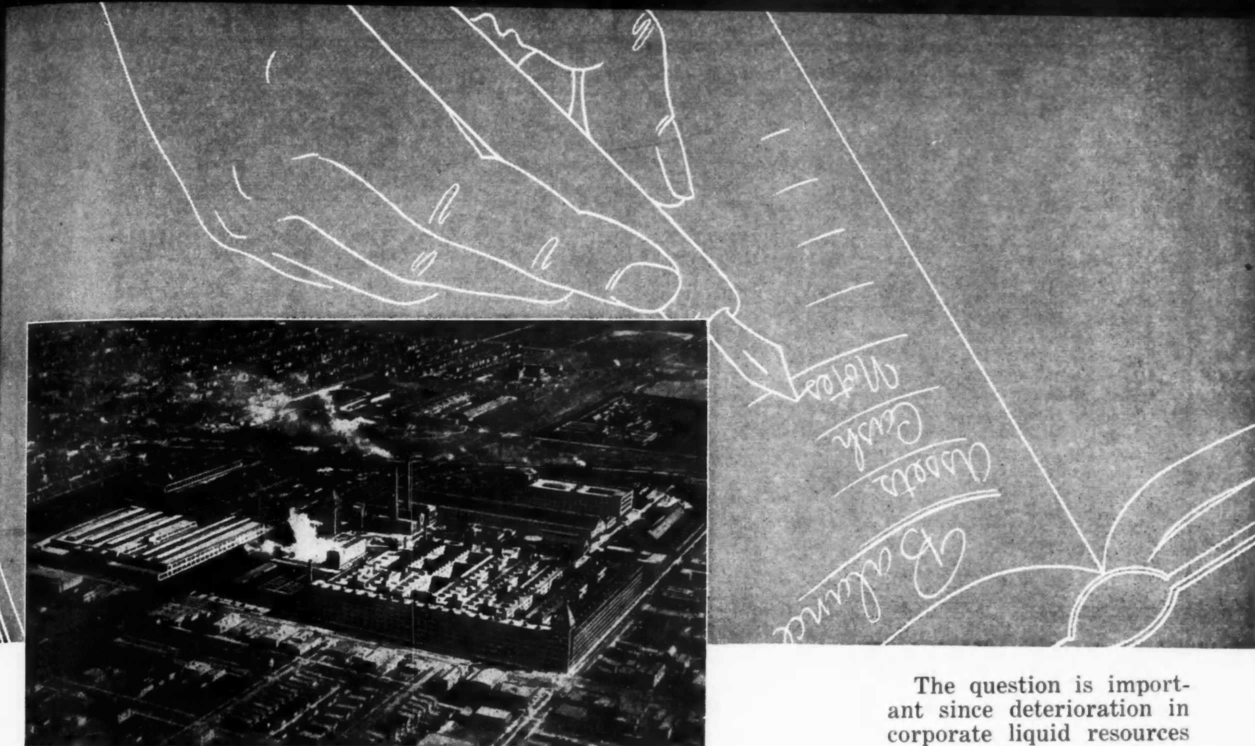
This fact is not lost on labor, despite talk of their leaders about "high" corporate profits. They may be high but the Government gets first crack at them, with the unions finding the picking a good deal leaner. If there are to be big new pay rises, corporate profits will have to be pumped up with further price rises, and we know what that will lead to. In the end, it will make for less business, less employment and smaller business profits—and for a smaller Government tax take.

An overall policy aiming at relative stability is probably the best policy in this dilemma. To be successful, however, it requires a more enlightened attitude on the part of labor leaders and a realistic Government attitude towards business profits. Without it, the "scarcity of profits" is likely to deepen and as it does, it will pose, and in turn create, serious problems all around.

A Sample of Declining Tax Liability Among Corporations

	Federal Taxes 1951 (millions)	Federal Taxes 1950 (millions)
Avco Mfg. Co.	$ 12.0[4]	$ 16.1[4]
Bigelow-Sanford Carpet	Nil	6.2
Burlington Mills	13.3[1]	21.6[1]
Caterpillar Tractor	20.4	33.2
Chrysler Corp.	79.0	123.0
Emerson Radio & Phonograph	3.2[2]	4.9[2]
Flintkote Co.	5.5	7.0
Gotham Hosiery Co.	.1	.5
Macy, R. H. & Co.	3.6	4.6
Masonite Corp.	3.6[5]	4.8[5]
Mohawk Carpet	.5	4.3
Nash-Kelvinator	16.7[1]	26.1[1]
National Biscuit	17.0	18.3
Pacific Mills	.9	4.8
Radio Corp. of America	33.2	50.7
Real Silk Hosiery Mills	.1	.4
Servel	(cr) 1.2[2]	1.2[2]
Sunbeam Corp.	7.8	9.1

1—Year ended Sept. 30. 4—Year ended Nov. 30.
2—Year ended Oct. 31. 5—Year ended Aug. 31.
3—52 weeks ended Oct. 27, 1951.



New Trends Disclosed by . . . . Year-End Balance Sheets

By J. C. CLIFFORD

Corporate balance sheets, as disclosed by 1951 reports released since the beginning of the year, have undergone important changes in reverse under the pressure of an entire complex of factors ranging from high taxes and burdensome inventories to difficulties in financing. This process has been speeded up during the last half of 1951 with the result of a gradual lessening in corporate liquidity.

This is revealed in two ways: first, the sustained heavy increase of investment in plant and modernized equipment throughout last year has entailed proportionately large outlays in cash, either from the companies' treasuries or through borrowing, or both; and, second, the more or less general increase in the dollar volume of business has brought about equivalent increases in inventories and receivables which, in turn, has tied up large amounts of cash.

Under the combined influence of these two factors, corporate cash and government bond holdings have declined to the lowest levels since the September quarter of 1950. Thus, the ratio between cash and government bonds of U. S. corporations to current liabilities was 57% in the third quarter of 1951, compared with 59% in the preceding quarter, and 73% in the June quarter of 1950. At the end of World War II, it was almost 100%. This striking change necessarily raises the question as to the extent to which the financial position of corporations has altered during the past year.

The question is important since deterioration in corporate liquid resources undoubtedly continued into the final quarter of 1951 and the present quarter, although latest figures are not yet available. The situation is further complicated by the operation of the Mills Act under which corporations are compelled to pay 70% of their taxes in the first two quarters of the year, thus forcing them to segregate for this purpose large portions of their already depleted cash resources. As a matter of fact, a number of corporations are already anticipating these new requirements by applying for loans with which to tide them over. This is taking place against a background of higher interest rates, raising the cost of financing.

Excessive inventories, a chronic feature by now with many industries, form a disproportionate share of working capital in many instances. For U. S. corporations as a whole, inventories at the end of last September constituted roughly 76% of working capital whereas at the end of 1950, they were 67%, and at the end of 1949, 63%. Present figures show the distortion in the working capital position and indicate clearly the need of many corporations to improve their cash position.

Fewer Advance Refunding Operations

The less satisfactory working capital position, as compared with a year ago, is reflected in the decline in refunding operations before maturity dates. Last year, $589 million corporate bonds were refunded in advance of the due date whereas the year before, $1.5 billion were refunded ahead of time. The reason of course is to be found in the growing inability of corporations to spare any large portion of their cash holdings even for so worthy a purpose.

Recent Balance Sheet Changes of Selected Companies

	Cash & Marketable Securities	Receivables	Inventories	Current Assets	Current Liabilities	Net Working Capital	Current Ratio	Ratio of Cash & Secur. To Current Liabilities	Long Term Debt	Capital and Surplus	Total Assets	Annual Depreciation Charges
	(Millions)								(Millions)			
American Tobacco Co.												
December 31, 1951	$ 31.9	$ 41.4	$594.5	$668.2	$212.1	$456.0	3.1	15.1%	$205.4	$295.2	$734.4	$ 2.9
December 31, 1950	22.1	37.5	532.6	593.0	133.3	459.6	4.4	16.6	215.6	286.8	657.4	2.9
American Woolen Co.												
December 31, 1951	10.1	27.6	73.6	111.9	46.5	65.3	2.4	21.7	.6	89.3	142.5	2.0
December 31, 1950	10.0	29.3	70.8	111.0	49.7	61.3	2.2	20.1	.7	86.2	142.5	2.0
Atlas Powder												
December 31, 1951	8.3	5.7	8.8	22.9	6.9	16.0	3.3	121.0	5.0	25.9	38.3	1.1
December 31, 1950	6.4	5.7	6.8	18.9	6.3	12.6	3.0	102.1	....	25.1	31.9	1.1
Caterpillar Tractor												
December 31, 1951	11.0	40.2	114.1	165.4	92.6	72.7	1.8	11.9	18.0	143.3	254.0	7.8[1]
December 31, 1950	8.9	34.1	72.9	116.0	29.4	86.6	3.1	30.6	18.0	138.2	185.7	5.5[1]
Chrysler Corp.												
December 31, 1951	195.2	58.6	210.9	479.7	236.9	242.8	2.0	82.4	....	521.0	757.9	25.8
December 31, 1950	347.0	41.9	168.6	557.6	229.4	328.1	2.4	151.3	....	514.2	743.7	19.9
Clark Equipment Co.												
December 31, 1951	7.7	14.3	24.9	49.2	21.6	27.5	2.3	35.8	12.0	31.0	64.6	.8
December 31, 1950	6.6	6.2	17.0	31.2	11.2	19.9	2.8	59.0	5.1	28.0	44.1	.8
Continental Baking												
December 29, 1951	8.3	3.0	8.9	20.3	8.6	11.6	2.3	97.1	15.8	41.1	65.6	2.8
December 30, 1950	7.9	2.7	8.5	19.1	7.4	11.7	2.6	107.1	14.1	39.6	61.2	2.5
Endicott Johnson												
November 30, 1951	4.1	17.5	53.0	74.7	27.3	47.3	2.7	15.3	9.4	40.2	99.2	2.1
November 30, 1950	3.8	18.0	42.1	64.0	26.5	37.4	2.4	14.5	....	39.4	87.5	1.9
General Baking												
December 29. 1951	8.2	2.3	6.8	17.4	7.6	9.7	2.3	107.9	....	32.1	39.5	2.6
December 30, 1950	8.4	2.1	6.3	17.0	6.9	10.0	2.4	137.2	....	31.5	38.4	2.2
Georgia-Pacific Plywood Co.												
December 31, 1951	12.8	4.0	7.9	24.9	9.7	15.1	2.5	132.3	17.3	15.7	44.4	1.8[2]
December 31, 1950	4.7	5.0	7.8	17.5	7.7	9.8	2.3	61.3	.4	13.4	22.8	1.5[2]
Goodall-Sanford												
December 31, 1951	2.0	4.1	32.2	38.4	16.3	22.0	2.3	12.8	....	32.0	48.4	.6
December 31, 1950	1.4	4.7	26.9	33.1	16.5	16.6	2.0	8.9	....	26.2	42.7	.5
Goodrich (B. F.) Co.												
December 31, 1951	109.1	83.2	123.2	315.6	126.0	189.5	2.5	86.6	38.3	201.3	415.7	10.0[1]
December 31, 1950	80.5	89.3	92.3	262.3	90.3	171.9	2.9	89.1	40.2	177.3	353.9	9.2[1]
Goodyear Tire & Rubber												
December 31, 1951	128.0	129.0	249.6	506.7	107.2	399.4	4.6	119.3	202.4	257.6	658.9	23.8
December 31, 1950	77.5	109.9	168.3	355.9	66.8	289.1	5.3	116.0	102.7	236.2	486.5	20.1
Hercules Powder												
December 31, 1951	32.9	17.1	33.6	83.7	39.6	44.1	2.1	83.1	....	75.3	131.6	7.9
December 31, 1950	25.7	16.6	25.8	68.1	23.0	45.0	2.9	111.7	....	69.7	106.9	7.4
Hooker Electrochemical Co.												
November 30, 1951	3.2	4.6	4.9	12.8	4.6	8.1	2.8	69.5	3.6	26.8	35.1	1.9[1]
November 30, 1950	4.0	3.2	3.4	10.7	2.5	8.2	4.3	160.0	1.2	25.3	29.1	1.5
International Shoe												
November 30, 1951	5.5	26.4	56.9	88.9	23.3	65.6	3.8	23.7	....	92.9	116.2	1.8
November 30, 1950	4.2	36.0	47.5	87.9	21.8	66.1	4.0	19.6	....	92.0	113.9	1.9
Johns-Manville												
December 31, 1951	14.0	24.1	24.8	63.1	35.2	27.9	1.7	39.9	4.9	127.2	176.5	6.9[3]
December 31, 1950	14.4	23.9	21.1	59.6	27.1	32.4	2.2	53.1	5.3	115.7	157.2	7.0[3]
Koppers Co.												
December 31, 1951	12.5	46.1	32.4	91.1	152.0	61.8	3.1	8.2	26.8	94.1	152.0	4.9[2]
December 31, 1950	19.0	32.4	25.2	76.8	138.4	47.7	2.6	13.7	25.9	81.8	138.4	4.6[2]
Liggett & Myers												
December 31, 1951	11.1	19.1	421.9	452.2	119.0	333.1	3.8	9.3	115.0	245.7	479.7	2.4
December 31, 1950	13.7	20.0	380.7	414.5	82.4	332.1	5.0	16.6	115.0	241.5	442.4	2.2
Mathieson Chemical Co.												
December 31, 1951	16.1	11.6	16.4	44.2	14.1	30.1	3.1	114.1	41.0	84.6	192.3	5.3[3]
December 31, 1950	10.8	8.6	10.5	30.0	12.1	17.8	2.4	89.2	20.0	56.7	137.3	4.8[3]
Merck & Co.												
December 31, 1951	30.8	10.3	30.7	71.9	35.3	36.6	2.0	87.2	5.8	90.2	128.4	3.4
December 31, 1950	15.5	8.6	20.1	44.4	14.9	29.5	3.0	104.0	.8	58.6	81.4	2.5
Mohawk Carpet Mills												
December 31, 1951	2.8	5.2	23.2	31.3	15.7	15.6	2.0	18.1	9.3	29.1	55.3	1.2
December 31, 1950	3.2	7.4	15.8	26.6	13.8	12.7	1.9	23.7	....	29.1	43.1	.7
National Distillers												
December 31, 1951	27.7	76.3	184.5	288.6	56.6	231.9	5.1	49.0	76.8	253.1	388.3	3.6[3]
December 31, 1950	40.7	59.9	124.0	224.6	40.6	183.9	5.5	100.2	69.5	174.3	284.5	2.4[3]
New York Air Brake												
December 31, 1951	3.2	5.7	7.8	16.8	5.4	11.4	3.1	59.9	.6	22.9	29.5	.5[1]
December 31, 1950	2.7	3.4	3.8	10.0	2.8	7.1	3.5	99.5	....	18.5	21.4	.3[1]
Reynolds (R. J.) Tobacco Co.												
December 31, 1951	18.1	26.7	495.6	540.6	127.7	412.8	4.2	13.4	135.0	315.1	540.6	2.1
December 31, 1950	16.2	26.0	475.8	518.1	108.3	409.7	4.8	15.0	140.0	305.6	518.1	2.0
Rheem Mfg. Co.												
December 31, 1951	1.5	13.6	20.9	37.7	20.0	17.6	1.8	7.7	14.0	35.1	69.2	1.3[1]
December 31, 1950	3.6	9.6	10.7	24.0	12.0	11.9	2.0	30.2	5.0	24.7	41.7	.9

Recent Balance Sheet Changes of Selected Companies (Continued)

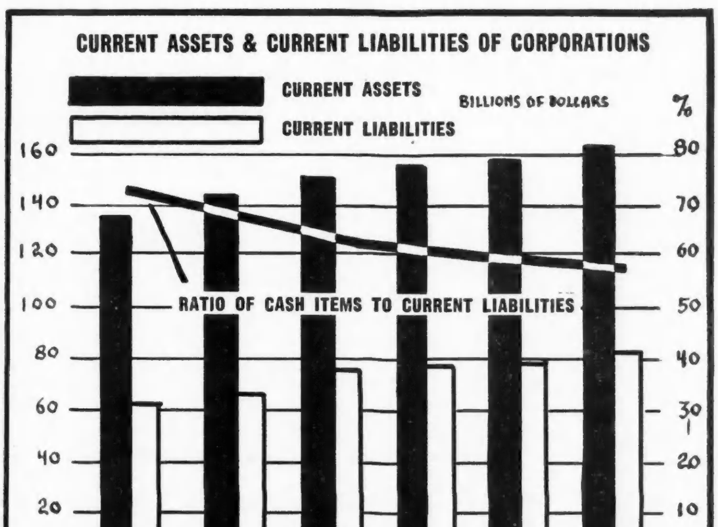
	Cash & Marketable Securities	Receivables	Inventories	Current Assets	Current Liabilities	Net Working Capital	Current Ratio	Ratio of Cash & Secur. To Current Liabilities	Long Term Debt	Capital and Surplus	Total Assets	Annual Depreciation Charges
	(Millions)								(Millions)			
Sunbeam Corp.												
December 31, 1951	4.9	1.5	16.2	22.8	6.5	16.2	3.5	76.7	....	31.1	37.7	.8[1]
December 31, 1950	5.2	5.0	8.0	18.3	5.0	13.3	3.6	105.8	....	27.2	32.2	.8[1]
Sutherland Paper												
December 31, 1951	8.4	2.1	9.0	19.8	7.6	12.1	2.6	110.6	5.5	24.0	37.2	.8
December 31, 1950	2.2	2.5	6.1	11.1	5.3	5.7	2.1	42.9	3.0	19.3	27.6	.7
Union Carbide & Carbon												
December 31, 1951	197.0	97.0	175.8	469.9	237.3	232.6	2.0	83.1	150.0	584.3	978.0	42.8[2]
December 31, 1950	214.5	91.8	123.0	429.4	177.9	251.5	2.4	120.6	150.0	534.8	869.1	32.6[3]
United Biscuit												
December 31, 1951	12.3	2.9	11.5	27.2	14.2	13.0	2.8	87.2	8.5	36.3	59.1	1.8
December 31, 1950	10.5	2.8	9.9	23.8	8.3	15.5	1.9	126.9	9.0	33.9	51.2	1.6

1—Includes amortization. 2—Includes depletion & amortization. 3—Includes depletion.

Breaking the figures down into specific categories, we find that the public utilities completed advance refunding operations to the extent of $114 million against $829 million in 1950; industrials retired $108 million against $208 million, and railroad retirements were $67 million against $141 million. At the same time, aggregate corporate private financing amounted to $4 billion, an increase of approximately $1 billion over the previous year. This is important as indicating an increasing trend toward bond financing.

Plant Expansion Takes Toll on Cash

In a period of rapid plant expansion such as we are still witnessing, the change in corporate balance sheets now visible reflects the situation which corporations face with respect to the replacement of low-cost physical assets with considerably higher-cost assets, under present conditions of a much higher price level. This forces them to make improvements to plant and equipment at high cost, at a time when demands on their cash resources are magnified by high taxes and swollen inventories.

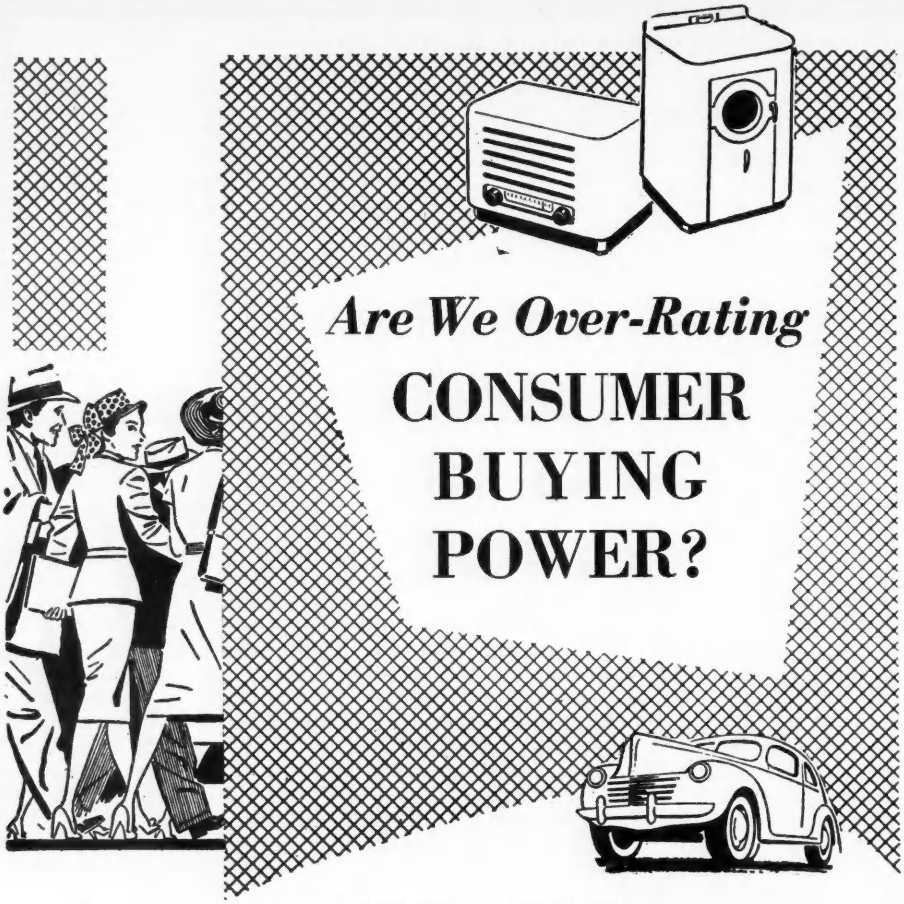


Total manufacturing company charges for depreciation, depletion and amortization (including that for defense plant facilities) have risen in a little over a decade from $1.7 billion to over $4 billion. In the meantime, $50 billion have been invested in new plant and equipment. While these substantial charges are an offset to the higher gross property account, it is important to recognize that after deduction of depreciation reserves, the net property account, as shown in current corporate statements, does not reflect the high replacement costs of the present. Since the Government does not allow for depreciation of older facilities at a rate proportionate to replacement costs to-day, the net result is that the real value of the stockholder's equity is understated. At the same time, of course, the actual rate of return on this equity is correspondingly overstated.

The Value of Accelerated Depreciation

On the other hand, the current permissible high amortization charges on new plant, especially those for the defense industries which carry the privilege of rapid amortization, in addition to the increased depreciation charges, as a whole, have provided the corporations with valuable sources of cash funds, since these charges are an item relating to costs involving no cash outlay. This newer source of funds, however, is being offset by multiplied demands for tax purposes. The over-all result, weighing all these factors together, is a distinct contraction of liquid resources. This is illustrated in the accompanying table which shows the effects of a year's corrosion in certain balance sheets.

Generally speaking, the ratio between cash and government securities to current liabilities has declined. While actual individual cash and the equivalent have risen nominally in some cases, this is quite insignificant compared with the sharp rise in current liabilities. Also, it must be considered that heavy depreciation charges have had the effect of adding to cash items; otherwise, actual cash and the equivalent (*Please turn to page* 665)



Are We Over-Rating CONSUMER BUYING POWER?

By JOHN D. C. WELDON

Consumer spending has always been a major determinant of business potentials and for all practical purposes, consumer spending means consumer buying power. Their relationship in the past has been definite and well known.

Today, despite defense spending, the consumer remains the key man as far as the business outlook is concerned. But consumer spending is not only a key but to many presently also a puzzle though it really needn't be that. If consumer buying is unsatisfactory in the eyes of many merchants, there are reasons to account for it. Nevertheless, what with price resistance and unfavorable retail trade comparisons, the vigor of consumer buying power is beginning to be questioned. Is there enough purchasing power to absorb current production plus accumulated inventories, at present high prices? It is a question wide open for debate.

The general attitude is to question the consumer's willingness to spend rather than his ability to buy, to stress the constant rise in consumer income and his latest tendency to save more. The more passive consumer spending is rationalized in many ways, usually in a reassuring manner though basic reasons may vary widely. Usually, too much stress is laid on the voluntary nature of consumer buying reluctance, not enough on the fact that much of it may be entirely involuntary.

Whatever the nature, it is becoming clear that at current high prices, goods will not move as freely as necessary to prevent their backing up if production rates continue high—and perhaps even at currently reduced output rates so long as inventories remain substantial. Consumers, whatever their financial status, are balking at high prices—and doubtless many simply don't buy because they cannot afford it.

Despite a wealth of statistics attesting to high consumer income, huge liquid savings, etc., there is no sense in minimizing the latter factor. Some segments of our population have been effectively priced out of the market by rising living costs and taxes. Thus as price resistance continues, the question of consumer buying power becomes more acute, for on its adequacy depends the outlook not only for retail trade but also for our civilian manufacturing industries. It is well to remember that demand—big demand—has been the backbone of the postwar boom and the prime incentive for industry's huge postwar expansion. Any weakening of demand, for whatever reasons, is bound to be a crucial element in the outlook regardless of the defense program. But since demand, basically, is conditioned by ability to buy, just how strong are the factors that determine buying power?

We are aware of course that following the post-Korean waves of scare buying, consumers quite understandably reduced their spending rate, with depressing effects on most civilian goods industries. Consumer needs were well filled, often excessively so. Credit was pretty much extended and cash reserves depleted. The result was a subsequent drop in buying and a rising tendency towards saving to replenish cash reserves.

If this were all, it could be viewed as a strictly temporary situation that will adjust itself in due time. The big question is: Is it all? Or is effective purchasing power overrated; is it falling behind and becoming insufficient to absorb enough of our production to maintain a high rate of economic activity?

Dollar Income Up But Real Income Static

The answer to that is not simple and perhaps it is premature to arrive at definite conclusions at this time. Yet there are certain facts that deserve attention. For example, while dollar income of consumers has been rising, real income—in terms of constant dollars—has gone up little if any since

Korea, as we shall presently show. Also, there are definite indications that the latest tax hike has actually tended to slow up consumer buying. It's been felt in general business because many wage earners simply lack funds to buy more than the bare essentials.

Morever, spending for consumer durables has been inhibited in probably greater degree than many assume, by credit controls effective under Regulation W. Required down-payments as well as instalments, on top of high living costs and taxes, are out of reach for many, particularly when it comes to autos, despite the partial relaxation of credit controls last July. Thus while there was a modest pick-up in outlays for durable goods in the third and fourth quarters of 1951, none occurred in the automobile field.

A Close Look at Consumer Demand

Finally it should be recognized that a significant part of the fall in demand for consumer durables probably also represents a longer term reaction from the high rate of spending throughout the entire post-war period, a cyclical reversal, in other words, that is primarily due to market saturation in many fields. While it is difficult to disentangle from the various temporary and special influences in the picture the possible effects of such a fundamental reversion to more normal replacement buying, business men probably will do well to look into this aspect of the situation.

Before examining effective buying power, let's first look at consumer demand as it shaped up last year. In 1951, personal consumption expenditures came to some $205 billion compared with $193 billion in 1950. Though they were carried up to an annual rate of $209 billion in the first quarter by the buying wave with which the year 1951 opened, they eased to a rate of $202 billion in the second quarter and were not much above that rate during the last six months. For the full year, the $12 billion advance represented only one-fourth of the increase in the gross national product, and the share of output bought by consumers which had been close to 70% in other years since World War II, was thus lowered to 62½%.

Moreover, it was merely in reflection of higher prices that the value of consumer purchases increased at all. In real terms, volume slipped about one per cent below that of 1950, and in the final quarter, the drop was over 3%. This softening of consumer demand was of great significance in balancing the economy against the tremendous pressures of Government and fixed investment demand, and actually stopped inflation. But it also proved a headache to merchandisers and many civilian manufacturing industries which, stocked up heavily, suddenly saw their markets dwindle.

The general theory is that this dwindling was not attributable to any dearth of purchasing power. In its support, it is pointed out that personal income advanced steadily—though at a gradually lower rate—throughout the year, and totalled $251 billion compared with $225 billion in 1950. True, incomes went up but so did prices—and taxes. To illustrate just what happened, we have been studying figures as they applied to the second quarter of 1950 (before Korea) and the fourth quarter of 1951. Here is what we find:

National income (annual rates) rose from $230.6 billion to $282 billion, a gain of about 22%. Personal incomes advanced from $219 billion to $257 billion, a rise of 17%. Disposable income (after taxes) rose from $197 billion to $228 billion, an advance of 15½%. But these figures are in current dollars, hence do not reflect the erosion of purchasing power due to inflation.

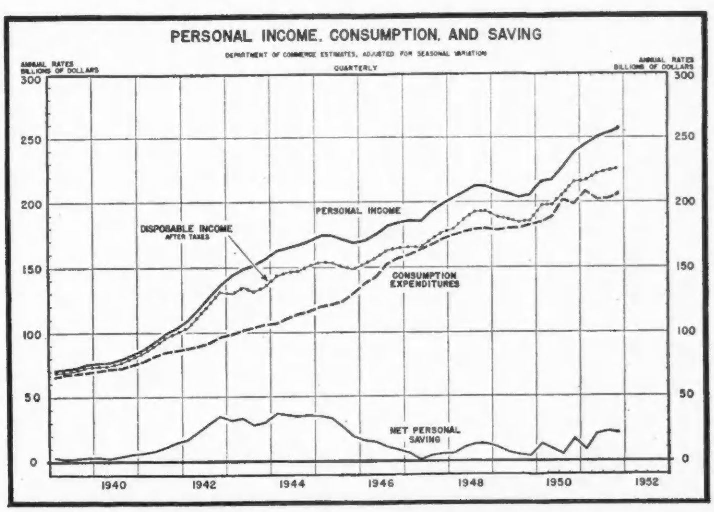
If disposable income is calculated in terms of 1950 dollars, the rise would have been from $200 billion to $212 billion, up only 6% instead of 15½%, and this smaller advance is far more realistic. But it still doesn't tell the whole story. To get the real low-down, we'll have to look at per capita income, because in the period covered, there has been a sizeable population increase—from 151.4 million to 155.5 million—and that makes a real difference when applied to aggregate income figures.

Now, on a per capita basis, disposable income in terms of current prices rose from $1305 to $1467, an advance of some 12%. But during the same period, consumer prices rose 10%, almost offsetting all the income gain. This finds confirmation when we look at per capita disposable income based on 1950 prices: It rose from $1418 to $1455, an advance of just about 2½%.

Effect of Inflation on Dollar Income

In short, when translated into terms of effective purchasing power, there has been a fairly negligible rise in income as far as the overall picture is concerned. And in countless individual instances, there probably was none at all or even an actual decline as for instance among many salaried workers, pensioners and other people depending on fixed income. Together these constitute a sizeable segment of the population. If their purchasing power dwindles, the reaction on business is usually fairly prompt.

As a corollary, let's also look at average wage rates. Average hourly earnings in manufacturing industries during the (*Please turn to page* 663)



TARIFF POLICY AND FOREIGN AID

By E. K. T.

UNLESS "Truman Luck" asserts itself as it has unaccountably done on many past occasions, the White House program for a stronger defense control act is out the window. Supporting evidence of this fact is piling up. Committee meetings to consider the Presidential proposals in actuality are only for the purpose of fulfilling the accepted legislative requirements and to gather testimony on minor details. Administration spokesmen are saying nary a word about wage control; it's all price control. But there's a respectable body of opinion in congress that the two are so intimately co-related that one cannot be effective without the other. The votes will reflect that idea.

> **WASHINGTON SEES:**
>
> United States tariff policy is undergoing official scrutiny to determine whether fundamental changes should be made. There is no doubt that existing practices work against success of the program of aid to friendly democracies abroad, and there are two schools of thought as to whether they help, or harm, domestic interests.
>
> This country is pouring money into foreign treasuries to bolster many nations in a fight for economic recovery. And at the same time, the operations of the tariff regulations are such that recovery is being slowed. On the one hand, the democracies are being urged to accelerate production, to get "back on your feet," and on the other hand a roadblock is being created. There are few places to which other countries may export with hope of profitable trade, over and above the returns essential to bare survival; in many situations, the products can be sold only in the United States with anything more than immediate gain on the transaction—nothing basically constructive in a long range plan.
>
> Existing reciprocal trade agreements carry provisions that the U. S. Tariff Commission may set up customs duties when imports reach the stage where domestic employment is placed in peril. That term and its application are very elastic. Yet, who is to say that a nation dedicated to global charity should overlook the homely axiom that charity should begin at home, that industry should not be taxed to provide the money with which to put itself out of business? Theorists would have no trouble solving this one, but hard-headed congressmen are doing serious thinking, careful weighing.

DEFENSE chiefs leading the fight on the economic front are determined to follow through with the program of designating distress areas to which federal contracts will be sent, bid prices notwithstanding, for the purpose of blotting up labor surpluses. Loud cries of pain are being heard from southern communities to which New England textile industries were attracted by the magnets of plenty of labor at lower rates of pay, lesser taxes and other inducements. They're sure to lose contracts to the remaining New England textile industries. And they'll get no sympathy from President Truman. There's that little matter of Dixiecratism that isn't forgotten.

WETBACK labor is breeding grief not only for farmers in the southwest for also for industrial employers. Wetbacks are Mexicans who wade across the Rio Grande into the United States without benefit of passport or other form of clearance, and take farm jobs. Lately, they have been continuing a northward trek and showing up in factory assembly lines. The practice is decades old, but organized labor hasn't made much of an issue of it until lately. Now the unions are asking congress for laws penalizing any employer who hires a wetback and placing responsibility upon the boss to be aware of all the facts. Repeat the "crime" and it's: "unfair to organized labor."

RESIGNATION of Wayne McCoy from the chairmanship of the Federal Communications Commission underlines a fact that has long been recognized but not tackled by congress. President Truman summed it in his letter of acceptance: "Yours is the ironic story of so many key civil servants whose abilities and special skills must be lost to government because of the inadequacy of government salaries."

As We Go To Press

Washington isn't writing off, yet, hope for eventual agreement in Iran and solution of the oil problem. Robert L. Garner, vice president of the World Bank is on the grounds but he'll probably return with little more than an optimistic prediction; he isn't expected to work out an agreement, but only to do what he has been doing, namely surveying the situation, dropping a suggestion or an argument here and there.

Premier Mossadegh, despite his physical and other weaknesses, seems to be favored in the forthcoming election. But the decision still is a full month away and visits such as that made by the second man in the World Bank (the very name of the institution has magic qualities) can be considered by the Iranians to be meaningful. Perhaps the significance is sinking into Mossadegh--a conjecture which accounts for some of the optimism expressed in Capital circles here. Iranian oil is a powerful bargaining instrument, but not while it remains underground.

It can be asked with considerable logic, "why all the shooting" over the recommendation of a Presidential emergency board that more than one million non-operating employees of the railroads be granted a union shop. Reason for the wonderment is the fact that about 85 per cent of them already are covered by union shop contracts and about 50 railroads are operating under the plan. Congress went into the subject rather thoroughly late in 1949, repealed a ban against this contract provision which it previously wrote into the Railway Labor Act.

The union shop is, as some of the rail executives contend, "compulsory union membership." However, it does not stop management from hiring non-union men; they simply have to join the brotherhood within 60 days. And the exemptions are numerous--supervisory employees in many classifications are freed from the requirement. That isn't true of many collective bargaining contracts which have had less attention and publicity. Obviously the issue didn't become fighting ground elsewhere.

The situation isn't entirely without its elements of danger and possible mischief. The action taken here affects a specific statute, the Railway Labor Act, and comes within its permissives. But similar action is certain to be urged upon the Wage Stabilization Board by unions which have no comparable statute and which will seek to gain the advantages without accepting the restraints that are part of the Act. And they'll ask the government to sponsor and enforce a union shop, citing this precedent. Conveniently forgotten will be the fact that the railroads are a public utility, and that they are being operated today (if nominally) by the government.

The real estate lobby has been knocked back on its heels by a suggestion that spread of rent de-control might make it necessary to review the wisdom of permitting low "down payments" on real estate sales. The Defense Housing Administration has fashioned this club and it, frankly, has the realty business worried. It is being argued that there is no necessary association between the fact that rent ceilings are off and how much a home buyer puts on the line. DHA professes to think otherwise, arguing that rents will go up with decontrol, therefore that initial payments should be made larger. Effect of such action on sales is obvious.

The shape of things to be for veterans of the Korean war is coming into legislative clarity. Congress has a stack of bills, most of them designed to extend into the non-declared war the benefits which flowed to GI's who were in the official shootings of the 40's. The newer crop of uniformed lads, it can be said with virtual certainty at this point, will get housing and other business loans. But there will not be new "52-20" clubs--veterans drawing $20 a week for 52 weeks during which they are

"unable to obtain employment." Distribution of that rocking chair money created small-gauge scandals in every community in the United States. Cautious veteran organization leaders are in the forefront of opposition to reinstating the system.

Eisenhower backers are getting worried. They don't know whether to tell the General he must come home, or should urge him to stay on his job. Either way they can see not only his chances but also the prospects of any GOP nominee endangered. If he remains at his NATO post, it is reasoned, he may not stir up enough enthusiasm to do more than get a deadlocking collection of ballots with the result that all of the top-runners eventually would be put aside and another "smoke filled room" choice emerge. If he quits his post of duty and NATO weakens or folds, both he and his party will come in for blame. And some see him in the predicament that faced Charles Evans Hughes in 1916 when he left the lofty eminence of the Chief Justiceship for the pit of politics.

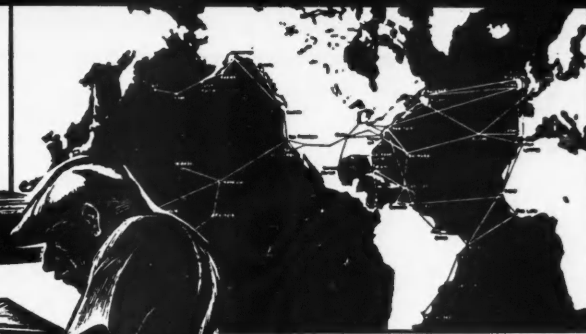
The principle of private enterprise in the field of power development is facing a new test with an excellent chance of victory. There are three competing proposals before congress for development of the electric power resources of the Niagara River: 1. The federal government would do the job. 2. The State of New York would do it. 3. Private enterprise would finance and build the power operations. It is conceded that the scenic beauty of the long-time honeymoon paradise would suffer no more under one plan than either of the other alternatives. And the engineering requirements and results are and would be identical.

The public power advocates have but one argument: they believe in government ownership of the utility. The points made by private enterprise are more numerous and much more appealing. It is conceded all around that private interests would complete the job more quickly. It is computed, and not denied, that private sponsorship would save the taxpayers not less than 350 million dollars in construction costs, and then yield substantial annual tax revenue. But the clincher (and probably the least logical argument for determining a basic issue) is that the organized utility workers favor private ownership. Both CIO and AFL unions are on record; private companies, they cite, react better to contracts reflecting labor-management "progress."

U. S. Department of Agriculture is not slow to recognize the fact that inflation is taking its toll. The Bureau of Economics figures that farmers will handle more dollars than the 15 billions that passed through their hands in 1951, but when they pay the higher production costs of 1952 they won't be any better off. But they haven't been doing badly, if figures alone can tell the story: agriculture is cashing in on 300 per cent-plus of its 1940 "take." City dwellers who help solve the "farm problems" with their tax dollars haven't done nearly as well. Nevertheless, every census study shows the movement of population away from the farm and into the cities.

Probing the probers is a new switch on Capitol Hill. When President Truman appointed Newbold Morris, New York republican lawyer, to investigate wrongdoing in federal agencies, congress reopened inquiry into surplus ship sales and the part Morris' law office had in making the deals. The result has been a tailspin in the plan to find out how Lamar Caudle floated to a top spot in the Justice Department, and why some large tax payments appear to have stopped at collectors' offices instead of moving on to the Treasury Department. The congressmen wouldn't give Morris legislation granting immunity to witnesses who "sing"--tell about the performances and misdeeds of other government agents with the understanding that their own crookedness will be overlooked. Under such a provision many of the bigger fish would get away.

Prediction here is that the Newark Airport soon will be back in operation. Three air crashes in which the city of Elizabeth became the pyre closed down one of the most active ports in the land, one used by more businessmen than any other in the world, perhaps. Investigations are disclosing that the three tragedies, close in point of time, were coincidences, albeit tragic coincidences. The Civil Aeronautics Board is "waiting it out," then will allow the airport to resume business.



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The Growing . . .

Japanese-German Competition in World Markets

By V. L. HOROTH

The great expansion of German and Japanese industrial activity following the outbreak of the Korean war has been and should be regarded as a gain for the Free World. Unemployed labor and industrial capacity have been made use of to produce goods, thereby mitigating the effects of dislocation of production resulting from the emphasis on rearmament. Everyone recognizes the validity of this attitude.

Sooner or later, Germany and Japan had to be fitted into the trade of the Western World, particularly since their trade relations with some of their former markets had been disrupted first by the Second World War and now, those in the Soviet orbit, by the "cold war". Furthermore, as a result of the revival, both Germany and Japan have become good customers for the goods of other countries and as a whole, everybody has benefitted.

In recent months, however, evidence has been growing that the comeback of Germany and Japan is beginning to "pinch" the exporters of other Western countries. That was inevitable, once the post-Korean trade bulge had receded. The sellers' market, and a few extra complications have set in.

Insofar as the American exporters are concerned, one of these complications is the re-appearance of the dollar shortage, particularly in Latin America and the Middle East. Since Germany and Japan do not insist on receiving payments in hard currency and are quite willing to enter into bilateral barter agreements, they have been able to "get a foot in the door" quite beyond expectation.

The British, too, have been watching rather nervously West Germany's booming export business in the traditional German lines: machinery chemicals, drugs, and precision instruments, while Lancashire is seriously worried about the inroads of Japanese textiles into the very stronghold of British trade, the sterling area.

All these are export lines in which the British will have to expand their sales if they are to succeed in balancing their international trade and in stopping their losses of gold. The French and the Italians are also worried. In both countries, prices and costs have gone up rather seriously with the result that more ground will inevitably be lost to German and Japanese competitors.

The success of the Germans in expanding their imports and recapturing some of their former markets will be seen from the first table. In 1947, five years ago, German exports were only $447 million, but increased by 60 to 75 per cent every year thereafter. During the second half of 1951, the exports of the Federal Republic approached the annual rate of over $3.8 billion, and it is now vying with France and Canada for third place as the world's largest exporter.

What are the reasons for this record? The most important ones have already been mentioned; the post-Korean buying spree and the pre-occupation of the West with armaments have created a heaven-sent opportunity for Germany. But to a large extent the success is due to the effectiveness of the various export incentives offered by the German government. Exporters are allowed to retain for their own purposes about 4 per cent of the foreign exchange earned abroad. There are certain restrictions how this money can be used, but ways and means are usually found to use it according to one's personal wishes.

Another important export incentive is the partial avoidance of the turnover tax. In the course of processing, every item is subjected to a 4 per cent

German Federal Republic: Exports by Areas

(in millions of dollars)

Exports to:	United States	Latin America	Sterling Area	Fr.Franc Area	Other West. Europe	East Europe	Total For. Tr.	Shipment to Soviet Zone
1937	58	193	—	—	994(a)	288	1,663	—
1947	5	1	64	95	152	1	447	—
1948	32	3	106	167	260	22	706	—
1949	47	32	164	221	553	61	1,123	221
1950								
Jan.-June	26	44	76	87	435	65	778	158
Jul.-Dec.	77	109	129	103	635	64	1,203	159
Total	103	153	205	190	1,070	129	1,981	317
1951								
Jan.-June	110	161	202	123	769	76	1,553	107
July-Dec.	126	208	306	185	907	97	1,912	40(e)
Total	236	369	508	308	1,676	173	3,465	147

Exports by Commodities

(in millions of dollars)

	Food stuffs	Raw Materials	Semi-finished	Finished Goods	Total
1949	—	—	—	—	1,123
1950	—	—	—	—	—
Jan.-June	15	126	162	475	778
July-Dec.	32	152	214	805	1,203
Total	47	278	376	1,280	1,981
1951					
Jan.-June	52	152	229	1,118	1,553
July-Dec.	65	158	274	1,417	1,912
Total	117	310	503	2,535	3,465

(a) Western Europe. (e) Estimated.

Source: Monthly Reports of the Bank Deutcher Laender

tax at each point where it changes hands. When goods are exported, however, the exporter receives a rebate which covers a considerable proportion of the total of this turn-over from the usual assessment. As a result of all these incentives, the German manufacturer, especially the small entrepreneur, is eager to export. This is contrary to what happens in Great Britain, where the manufacturer prefers to sell in the domestic market where he faces less competition.

Old Markets Regained

As will be further seen from the table, nearly one-half of the exports go to Federal Germany's West European neighbors which now take about 10 per cent more German goods than before the war. This was the first market to which the Germans turned, supplying it with steel products, machinery, scientific instruments, chemicals, dyestuffs, and drugs. One effect of this recovery of German trade was the reduction of the dependence of the Netherlands and the Scandinavian countries upon the United States market and the minimizing thereby of their "dollar shortages."

Germany has once more resumed her place as the first or the second largest supplier of these countries—the place she held before the war. A further expansion of German business with the Scandinavian countries and the Netherlands depends upon the extent of German purchases of agricultural surpluses from these countries—butter from Denmark, cheese from the Netherlands, etc.; however, reduction in German tariffs is a prerequisite.

The Germans have struggled hard to win a foothold also in the Near Eastern market. They have been very successful in Iran and Turkey, where many plants are German-equipped. In Iran the Germans are reported to have won a contract for a cement mill and sugar refinery. In India, import licenses issued for German goods in the first half of 1951 were nearly three times those issued during the second half of 1950. Orders for electrical plants in Kenya, Australia, and Turkey have gone to German concerns.

Barter Exchange Profitable

German sales in the United States market reached an annual rate of about $250 million during the second half of 1951, which compares with British sales here (annual rate) in the same period of about $460 million. American firms are interested chiefly in German steel mill products and scrap steel. There have been many deals between private U. S. firms and German steel mills calling for the delivery of steel in exchange for U. S. coal. Other products imported from Germany in considerably larger quantities since the outbreak of the Korean war include chemicals, china, glassware (of the type formerly sent here by Czechoslovakia), cutlery, precision machinery, fine mechanical and optical goods, and such specialties as musical instruments, toys, and Christmas-tree decorations.

The swiftest rise occurred since 1947 in German exports to Latin America. Compared with the prewar (1937) exports of $193 million and the 1948 figure of less than $4 million, Germany shipped goods during the second half of 1951 at an annual rate of better than $400 million to Latin America. Once more Germany is the third largest source of Latin American imports, displacing France. The Germans are now not very far behind the British, who last year shipped about $450 million worth of goods to Latin America. However, they still are far outclassed by the United States, which in 1951 exported about $3.7 billion worth of goods.

The success of the Germans, as compared with the British and the French, lies (1) in having the goods the Latin Americans want most: machinery, electrical equipment, and capital goods in general; and (2) in willingness to take goods in barter. Bilateral agreements with Argentina, for example, are scheduled to exchange some $155 million worth of gains, wools, skins, and linseed oil in 1952 for an equivalent amount of German machinery, metal products, and chemicals. In addition, Argentina is said to have ordered some $24 million worth of electrical equipment for a power station now being set up in the vicinity of Buenos Aires.

Other important barter agreements were arranged with Colombia and Brazil. To get a foothold in Latin America (and also in other) markets, German exporters are known to have quoted goods

from 20 to 50 per cent below American prices. In many instances these prices have been far below German production costs. The German Government is opposed to this practice.

The competition of German goods with American goods in Latin America appears to have been most severe in dyestuffs and industrial chemicals, despite the fact that Germany has been handicapped by a severe shortage of coal and other basic materials. Other products in which Germany is successfully competing with us include synthetic textiles, hardware, precision machinery, and tools. A few "Volkswagon" autos have appeared in Latin American cities. In their competition with us, Germany and other European countries are favored by much lower freight rates.

Before the war, some 17 per cent of German exports were sent to the Soviet Union and Southeastern Europe. As a result of the cold war and trade restrictions, this area now does not absorb more than 5 per cent of total German exports—or about as much as Switzerland does. However, the German industrialists still hope that this area will become again an important market for German machinery, metal goods, and chemicals in exchange for grain, timber, and vegetable oils, for which Germany must now pay in hard currency.

What about future German exports? There is some doubt that Germany will be able to push some of her exports as successfully as in the past. The fourth quarter figures showed recession in a number of lines, due to British and French import restrictions. This has especially been true for such exports as textiles, certain chemical lines, and hardware. Some markets have been probably temporary, such as the exports of steel scrap and metal products to the United States which are showing signs of falling off due to an easier supply here.

But there are lines in which there is scope for considerable expansion, such as bicycle exports to Africa. Africa is reported to have taken close to $150 million worth of German goods in 1951, cut diamonds, artificial jewelry, and toys. Much will depend upon the availability of coal and on a further expansion of German productive capacity, as well as upon the severity of the "dollar shortage". The latter may ease later this year. At any rate, Germany will be doing well if she can export $4.5 billion worth of goods this year, at which level she will be $3.5 billion behind the British target for 1952, and ahead of Canada and France.

Japan's Export Gains

As will be observed from the second table, Japan's exports, like those of Germany, have been rising at a rate only a shade slower than those of Germany. Starting from a lower base, Japan's exports during the latter half of 1951 were at an annual rate of only about $1.0 billion, or about one fourth those of Germany. On the volume basis, Japan is shipping out about 50 per cent as much goods as before the war, while German exports have exceeded the 150 per cent level.

Japan's exports have been disturbed far more by the effects of the Second World War and the cold war than those of Germany. As was pointed out earlier, only some 17 per cent of German trade was with the communist-controlled orbit. In the case of Japan, the figure is about 45 per cent. Germany was dependent on the Soviet orbit for lumber, grains, vegetable oils, etc., and many of these products can now be obtained from the soft-currency areas. In contrast, Japan depends upon Manchuria, China, and nothern Korea not only for timber, soy beans, but also for coal, raw steel and many raw materials going into chemicals.

Nippon Still Needs U. S. Aid

Consequently Japan is dependent upon the imports from the dollar area much more than Germany, and hence must also earn relatively more dollars. That she has been able to manage and, like Germany, accumulate a substantial dollar nest-egg, has been due to our grants and to heavy dollar earnings for providing goods and services for our armies in Japan and in Korea.

Like the Germans, the Japanese exporters have been doing relatively best in durable and semi-durable goods such as machinery, tools, hardware, and bicycles. These metal goods exports now account for about 25 per cent of the total as compared with about 10 per cent before the war. The chief customers are the countries of Southeastern Asia, which now take almost (*Please turn to page* 656)

Japan: Exports By Areas

(in millions of dollars)

Exports to	United States	Latin America	West. Europe	Middle East	Southern Asia	Africa	China N. Korea	Total
1936-38	169	—	84	— 409	—	—	493	1,204
1947	19	—	40	— 89	—	—	12	174
1948	66	1	26	13	101	13	24	259
1949	84	4	69	30	205	37	33	511
1950								
Jan.-June	76	12	27	9	115	23	26	322
Jul.-Dec.	116	30	60	9	169	47	54	501
Total	192	42	87	18	284	70	80	823
1951								
Jan.-June	104	50	38	23	299	53	43	660
July-Dec.(a)	96	—	—	—	—	—	—	490
Total	200	—	—	—	—	—	—	1,150

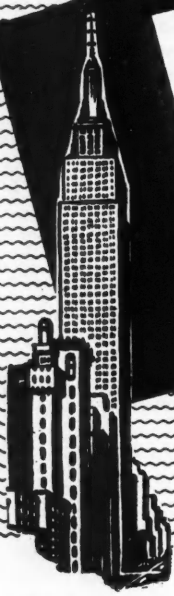
Exports By Commodities

(in millions of dollars)

	Cotton Fabrics	Raw Silk	Rayon Fabrics	Rayon Yarn	Steel Prod.	China Ware
			(in bil. of yen)			
1947	2.8	.7	—	.4	—	.4
1948	11.1	8.3	.3	1.1	1.4	2.7
1949	47.6	6.5	3.6	5.3	12.5	6.5
1950						
Jan.-June	34.2	5.2	5.9	.9	8.7	2.4
July-Dec.	39.9	8.9	11.6	1.2	17.8	4.2
Total	74.1	14.1	17.5	2.1	26.5	6.6
1951						
Jan.-June	62.0	6.5	17.4	5.5	32.6	5.3

(a) Based on the third quarter figures.

Dividend Increases and Casualties in 1952



By GEORGE W. MATHIS

For some time it has been manifest that corporation executives were adopting a more conservative attitude with regard to dividend payments. This need not be surprising as dividends depend directly on the amount of earnings and, as has been evident for practically half a year, the trend of earnings has been downward.

Under the circumstances, it is inevitable that there should be an increasing number of dividend casualties. Thus far, dividend cuts or outright omissions have been limited to industries which have had hard sledding for a considerable period, such as textiles, food processing and soft drinks, so that too much significance should not be attached to their unfavorable dividend action. On the whole, these cases are not truly representative of general conditions.

What is of more significance is that the great basic industries, severely affected by high taxes, for the most part are no longer increasing their dividend rates and, in fact, in some such as automobiles, there has been a noticeable decline in the amount of their payments. On the other hand, individual companies in industries which are either still under the influence of the momentum of rising sales, or have a more or less favorable tax position, are in a position to make higher payments. Among these, principally, are the oils, utilities and the non-ferrous metals group. It is in these groups that most of the companies still increasing dividends will be found.

The general trend of dividends is indicated by the fact that total disbursements of corporations publicly reported declined 9% in the fourth quarter of last year compared with increases of 13%, 14% and 2%, respectively, for the first three quarters. These variations in dividend payments coincided with proportionate declines in the rate of profits, which rose 18% in the first quarter, and declined 11%, 36% and 39%, respectively, in the final three quarters. The direct relationship between earnings and dividends is reflected in these figures and illustrates why, with continuation of the downward trend of earnings into the first quarter of the year, the general outlook for dividends is not as satisfactory as a year ago.

Total publicly reported dividends for 1951 amounted to about $7.9 billion or a decline of 2% from the record $8.05 billion paid the previous year. While this decline seems comparatively insignificant, it is important that the entire drop took place in December when dividends were 16% under those of December 1950. This precipitous decline is attributed to a smaller volume of year-end dividends, many corporations hesitating to make special distributions in view of the uncertainties they knew they would have to face in the coming year. One of the chief factors in the more or less general decline in year-end dividends was the latest increase in taxes. In many cases, this had the effect of sharply reducing the amount of earnings available for dividends, with the cumulative effect felt in the last part of the year.

Variations in Dividend Payments

However, conditions were not uniform. Thus, automobile industry dividends dropped 25%, and chemical and electric machinery manufacturers reduced their payments by about 10%. Conspicuous among those who increased payments were: petroleum, 19%; mining 16%; utilities 13%, non-ferrous metals 12%, railroads 10% and paper and printing 8%.

Nor were conditions uniform within these industries. Thus we find about as many food companies raising dividends as decreasing them. It is interesting also to find one railroad reducing its dividend (please see table) at the same time that a number of others ordered increases.

It is difficult to draw general conclusions as to the future trend beyond saying that it is probable that the total amount paid this year will be under that of 1951. Industries which will have the greatest number of casualties will be found among those which have been in an unfavorable position for a considerable period, such as textiles, shoe manufac-

Companies Which Have Recently Increased Their Dividends

	Net Sales 1951	Net Sales 1950	Net Profit Margins 1951	Net Profit Margins 1950	Net Per Share 1951	Net Per Share 1950	Dividends Per Share 1951	Dividends Per Share 1950	Interim Payments Reduced From	Interim Payments Reduced To	Recent Price	†Yield
	(Millions)	(Millions)										
Carrier Corp.	$ 80.9[1]	$ 62.3[1]	4.4%[1]	5.0%[1]	$ 3.88[1]	$ 4.54[1]	$ 1.00[3]	$ 1.00	$ .25Q	$ .50	22½	4.4%
Cerro de Pasco Corp.	44.4[2]	34.7	24.1[2]	11.4	9.09[2]	3.53	2.00[3]	......	.25	.50	54½	3.7
Cleveland Elec. Illum.	79.9	70.1	14.2	15.1	2.22	1.96	2.40	2.40	.60	.65	50¼	4.7
Electric Boat	31.4[4]	41.7	3.9[4]	3.3	1.51[4]	1.52	1.00[3]	1.25	.25	.50	27⅜	3.6
Fairbanks Morse	56.3[4]	85.4	4.4[4]	4.5	4.13[4]	3.20	1.25	1.25	.25Q	.30	23⅛	5.4
Gair (Robert) Co.	......	56.8	......	7.3	3.77	3.37	1.00	1.00	.25Q	.30Q	18⅛	5.5
General Tire & Rubber	85.4[5]	125.3	4.0[5]	6.8	5.48[5]	13.88	3.50	3.00	.50Q	1.00Q	60	5.8
Ingersoll Rand	113.3[2]	89.8	13.1[2]	20.8	7.33[2]	9.25	6.00	5.75	1.00	1.25	84¼	7.1
Long Island Lighting	52.2	45.9	9.5	8.1	1.18	1.19	.60	.25	.20Q	.22½Q	14⅞	4.0
Oklahoma Gas & Electric	29.2	26.0	17.0	18.1	1.69	1.77	1.30	1.25	.32½Q	.35	24⅜	5.3
Pacific Tin Consol.	3.4[2]	3.0	24.1[2]	22.2	.75[2]	.62	.60	.40	.15	.20	6¼	9.2
Parkersburg Rig & Reel Co.	16.0	10.4	4.8	4.7	3.25	1.96	1.00[3]	.62½	.25	.35	16½	6.0
Sinclair Oil Corp.	585.4[2]	678.8	9.9[2]	10.3	4.84[2]	5.81	2.50	2.50	.50Q	.65Q	43¾	5.7
Socony-Vacuum Oil	1,099.5[2]	1,367.1	10.8[2]	9.3	3.74[2]	4.03	1.80	1.35	.40Q	.50	37¼	4.8
Standard Brands	256.2[2]	301.4	2.4[2]	3.3	1.81[2]	2.96	1.70	1.70	.30Q	.40Q	24⅞	6.8
United Biscuit of Amer.	107.1	92.4	4.2	5.4	4.35	4.92	1.60	1.80	.40Q	.50Q	32¼	4.9
West Indies Sugar	55.2[6]	42.0[6]	22.1[6]	16.4[6]	11.86[6]	6.71[6]	4.00	3.00	.50Q	.75Q	37¾	10.6

2—9 months ended Sept. 30.
3—Plus stock.
4—6 months ended June 30.
5—6 months ended May 31.
6—Year ended Sept. 30.
†—Based on 1951 dividends.
Q—Quarterly rate.
1—Year ended October 31.

turing, food processing, food chains and, possibly, the movie industry.

Among those in the strongest position with regard to the possibility of increasing their dividends are the public utilities, the oils, non-ferrous metals and, possibly, the tire and rubber group. This does not mean, of course, that potentialities for dividend increases exist only in these groups. Some companies, favored by special circumstances, will undoubtedly see fit to raise their rates as, in fact, they have been doing since the beginning of the year. Such prospects, however, can only be gauged through painstaking analysis of the position of individual companies.

The investor concerned with the dividend rate of his company therefore, can no longer be satisfied merely with a general view of the respective industry but should be fully familiar with the earnings trend of his company as this will afford him the best clue to future dividend action.

Under present uncertain conditions in the securities markets, a lower appraisal is given to dividends than was the case a year ago. At that time, the outlook for a rising dividend was reflected in higher share prices. To-day, doubts that are commencing to creep into the minds of investors as to the permanence of disbursements is finding expression in lower share prices. This has the effect of increasing yields, in some cases to a marked extent. Even those stocks in a reasonably assured dividend position are commencing to sell on a considerably higher yield basis than for some time. The only group which is fairly immune to this process are the utilities, thereby com- *(Please turn to page* 656)

Companies Which Have Reduced Or Omitted Their Dividends in 1952

	Net Sales 1951	Net Sales 1950	Net Profit Margins 1951	Net Profit Margins 1950	Net Per Share 1951	Net Per Share 1950	Dividends Per Share 1951	Dividends Per Share 1950	Interim Payments Reduced From	Interim Payments Reduced To	Recent Price	†Yield
	(Millions)	(Millions)										
American Woolen Co.	$253.3	$150.1	3.9%	3.5%	$ 9.22	$ 4.39	$ 6.00	$ 1.00	$ 1.00	Nil	30	20.0%
Bigelow-Sanford Carpet	77.5	97.6	(d) 2.9	6.0	(d) 2.66	6.09	1.06	2.00	.40Q	$ .25	16⅝	9.6
Burlington Mills	310.1[2]	286.9[2]	4.4[2]	9.4[2]	1.93[2]	4.43[2]	1.35	1.42	.34Q	.25Q	17⅜	7.7
Canada Dry Ginger Ale	61.4[2]	54.4[2]	3.5[2]	5.8[2]	1.03[2]	1.56[2]	.80	.95	.20Q	.12½	10	8.0
Clinton Foods	94.2[3]	77.0[3]	(d) .1[3]	3.7[3]	(d) .26[3]	2.28[3]	2.40	2.40	.20[1]	Nil	21⅛	11.3
Conde Nast Publications	17.4[3]	20.6	7.2[3]	6.5	1.26[3]	1.34	1.00	1.00	.25Q	.15	8¾	11.5
Divco Corp.	11.1[4]	9.8[4]	6.2[4]	10.6[4]	1.54[4]	2.33[4]	1.40	1.60	.30Q	.25Q	11¼	12.5
Horn & Hardart Co.	37.4[7]	39.6	1.9[7]	2.8	1.06[7]	1.81	1.70	2.00	.35	.25	20⅛	8.4
International Packers	......	155.6	......	2.0	1.00[8]	1.61	1.20	.40	.30	Nil	11¾	10.3
National Mallinson Fabrics	11.8[5]	23.8[6]	......	2.0[6]	.03[5]	2.16[6]	.80	.40	.20	Nil	7¾	10.5
Pfeiffer Brewing	17.8[3]	38.6	11.1[3]	9.4	1.64[3]	3.05	2.00	1.50	.50Q	.40	18	11.1
Real Silk Hosiery	12.5	13.9	1.2	4.5	.65	3.32	.60	1.45	.15Q	Nil	11½	5.2
St. Louis-San Francisco	134.2	123.1	6.7	9.9	3.36	6.08	2.50	1.50	.62½	.50	23⅛	10.8
Smith (Alex.) Inc.	64.9[3]	89.2	(d) 2.4[3]	2.5	(d) 1.96[3]	2.05	1.20	1.70	.30	Nil	16⅝	7.2

†—Based on 1951 dividends.
(d)—Deficit.
1—Monthly rate.
2—Year ended Sept. 30.
3—9 months ended Sept. 30.
4—Year ended Oct. 31.
5—6 months ended November 30, 1951.
6—Year ended May 31, 1950.
7—11 months ended Nov. 30, 1951.
8—Estimated.

5 COMPANIES . . . *In* . . . Favored Industries

By OUR STAFF

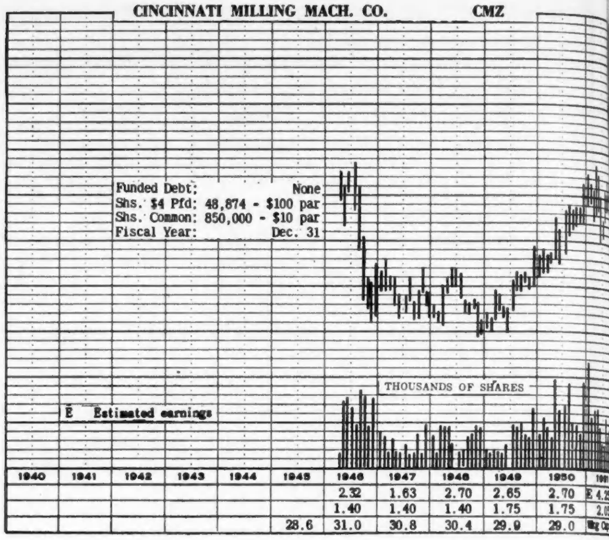
The present confused state of the stock market clearly reflects the doubts and uncertainties caused by current pressure on corporate profits. With most industries revealing the impact of high taxes and costs, and others showing recessive tendencies due to declining volume of business, investors seem to be concluding that for the time being, opportunities for profitable investment are less numerous than they were some time ago.

However, certain industries will continue to benefit from active business conditions and thus offer promise of substantial profit potentials despite tax inroads and rising costs. Five, in particular, stand out in 1952 as possessing favorable prospects. These are petroleum, machine tools, public utilities, railroads and television.

An additional consideration is that these industries are relatively tax-sheltered. Oils, for example, benefit from depletion allowances; utilities have been relieved of their excise tax and are otherwise favorably situated tax-wise; rails, though some are subject to excess-profits taxes, are favored by certain special tax provisions; and machine tools and television, on the whole, have a good EPT base.

Other specifically favorable factors, for example, are that the rails will benefit from a possible increase in freight rates, a subject now up for review by the I.C.C.; utilities are steadily gaining from the continued increase in demand for power; the machine tool industry has a backlog large enough to keep it busy for the next two years; and television will undoubtedly benefit from the wide public interest in the political conventions and the election campaign.

We have selected one company in each of these five industries as being in a good position this year with respect to the profit outlook. In all cases, dividends are well below 1951 earnings and probable 1952 earnings. Pertinent statistical data are presented in conjunction with the thumbnail analyses on this and the following pages. It might prove advantageous to await further market setbacks before undertaking commitments.



CINCINNATI MILLING MACHINE COMPANY

BUSINESS: This is the largest domestic manufacturer of machine tools and has been a leader in the industry for more than half a century. Metal milling machines are the most important product but it also manufactures in large volume such items as grinding, broaching and lapping machines. Repair parts account for a substantial part of sales.

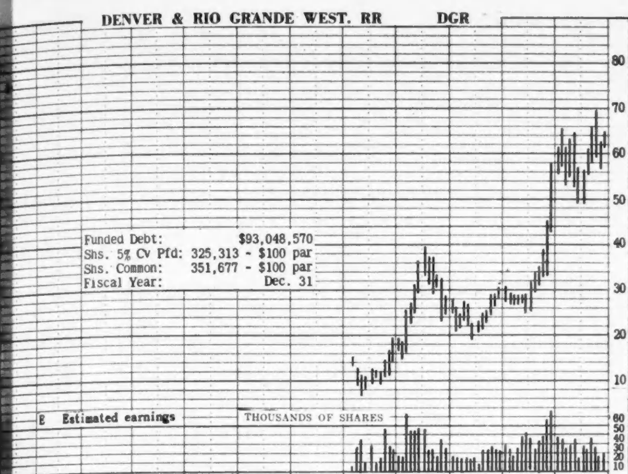
OUTLOOK: The machine tool industry faces prosperous conditions throughout 1952 and probably well into 1953, as a result of the heavy demand arising from the defense program. The company's backlog which was $61 million a year ago has increased substantially and the onrush of new business is so great that deliveries in many cases cannot be made for two years. A considerable portion of the business is conducted abroad and the company is the largest producer of milling machines in the British Empire. Recently it announced formation of a new unit in Holland. In conjunction with other companies, it is developing its Latin American business. Although it owns what is probably the largest individual machine tool plant in the United States at Cincinnati, it has been adding to its facilities through new plants at Reading, Pa. and Wilmington, Ohio. The company has received certificates of necessity for the building of new plant additions to equipment, amounting to $8 million. This will, in part, provide for the completion of the Wilmington plant. While taxes have been rising, the company should have a comparatively favorable excess profits tax base, inasmuch as yearly earnings from postwar have been fairly substantial. In any event, 1951 earnings are estimated at about $3.85 a share, based on the $2.72 a share already reported for the first 40 weeks. The company is financially strong, with cash and government securities (1950 figures) of about $16 million, more than twice combined current liabilities. There is no funded debt and only 48,000 shares of 4% cumulative preferred ahead of the 850,000 outstanding common shares. With an established earning power that goes back a number of years and its prime trade position and strong finances, the company faces a prosperous period as a result of the strong demand for its products.

DIVIDENDS: Company paid $2.05 a share in 1951, including a 50-cent extra. Last quarterly payment was 50 cents a share compared with previous payments of 35 cents.

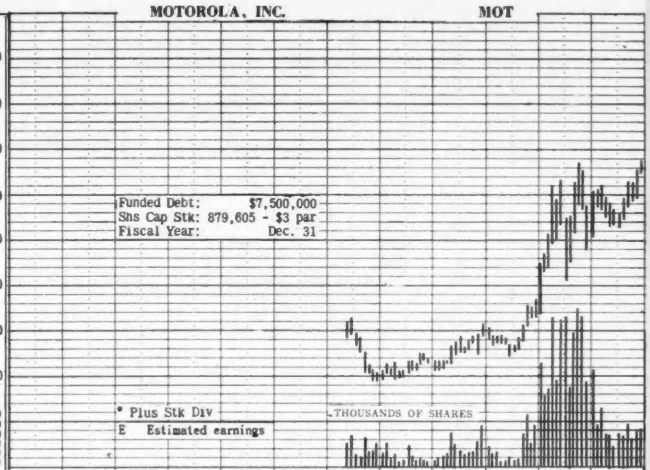
MARKET ACTION: Recent price—33, compares with a 1950-51 range of High—38¼, Low—26. At current price, the yield is over 6%, based on last year's dividend.

COMPARATIVE BALANCE SHEET ITEMS

	1945	(December 31) 1950 (000 omitted)	Changes
ASSETS			
Cash & Marketable Securities	$ 20,183	$ 15,894	—$ 4,289
Receivables, Net	4,304	6,266	+ 1,962
Inventories	9,328	13,482	+ 4,154
Other Current Assets	3,846	1,126	— 2,720
TOTAL CURRENT ASSETS	37,661	36,768	— 893
Net Property	2,253	7,226	+ 4,973
Investments	6,176	6,777	+ 601
Other Assets	569	549	— 020
TOTAL ASSETS	$ 46,659	$ 51,320	+$ 4,661
LIABILITIES			
Accounts Payable	$ 1,439	$ 3,148	+$ 1,709
Accruals	2,545	2,318	— 227
Tax Reserve	5,036	2,282	— 2,754
TOTAL CURRENT LIABILITIES	9,020	7,748	— 1,272
Reserves	14,942	13,479	— 1,463
Preferred Stock	4,887	4,887	—
Common Stock	7,331	8,500	+ 1,169
Surplus	10,479	16,706	+ 6,227
TOTAL LIABILITIES	$ 46,659	$ 51,320	+$ 4,661
WORKING CAPITAL	$ 28,641	$ 29,020	+$ 379
CURRENT RATIO	4.1	4.7	+ .6



1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	
							7.05	.15.31	6.33	12.49	E 16.00	EARN.
							-	2.00	2.00	2.00	3.00	DIV.
							20.0	14.6	22.9	25.2	Wkg Cap & Mil	



1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951
						.82	3.14	4.44	6.60	14.56	E 6.75
						.30	.75	1.25	.75	4.50	* 2.00
						5.8	7.0	10.8	14.4	20.6	Wkg Cap $

DENVER & RIO GRANDE WESTERN

BUSINESS: Company operates 2,333 miles of railroad in Colorado, Utah and New Mexico. Of this 2,271 miles are owned, including 467 miles of narrow gauge. This road is the central link in a short transcontinental route between Chicago and San Francisco.

OUTLOOK: The strategic position of this road is indicated by the fact that freight is interchanged with 19 railroads at 32 junction points. Of great importance to the road is the recent I.C.C. examiner's recommendation that joint rates be established with Union Pacific for freight moving through the Ogden, Utah gateway. This would facilitate a permanent increase in traffic from the Northwest. If the recommendation is adopted by the I.C.C., Denver & Rio Grande's net income would be established at considerably higher levels. In the meantime, the road has been benefitting from increased steel and coal activities, especially at the U. S. Steel plant at Geneva and Colorado Fuel & Iron's plant at Pueblo. Enlarged haulage of bituminous coal, which is the most important single item of freight in addition to heavier steel tonnage, has stimulated revenues in the past two years with the result that per share earnings have risen to exceptionally high figures. Earnings jumped from $12.49 a share in 1950 to an estimated $18 a share last year. This large increase was made possible by the high capital leverage, with only 352,000 shares of common and 325,000 shares of convertible preferred outstanding. Any important changes in net income are necessarily reflected in proportionately wide swings in per share earnings. Current high earnings are due, in part, to defense-stimulated increases in freight. However, the fundamental position of the road has been greatly strengthened in recent years, partly through large expenditures for capital improvements and partly through the growth of the region which the road serves. Freight revenues are well balnaced in the three main categories of mining, industry and agriculture, about 91% being derived from freight and only 5% from passenger traffic, the rest being mail and express. Since reorganization in 1947, finances have been steadily strengthened.

DIVIDENDS: The 1951 rate was $3 a share, raised from $2 in 1950. This of course is only a small fraction of actual earnings. Recently, the stock was established on what seems a $4 basis.

MARKET ACTION: Recent price—65, compares with a 1950-51 range of High—71½, Low—24½. At current price, the yield is 4.6%.

COMPARATIVE BALANCE SHEET ITEMS

	1947(*)	(December 31 1950 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 28,403	$ 27,585	—$ 818
Receivables, Net	6,675	7,694	+ 1,019
Materials & Supplies	7,825	7,054	— 771
Other Current Assets	890	318	— 572
TOTAL CURRENT ASSETS	43,793	42,651	— 1,142
Investment in Road & Equip., Net	215,254	235,635	+ 20,381
Accrued Deprec. & Amort.	(CR)50,153	(CR)53,434	+ 2,381
Acquisition Adjustment	(CR)23,171	(CR)22,775	— 396
Other Investments	4,467	6,576	+ 2,109
Other Assets	638	1,214	+ 576
TOTAL ASSETS	$190,828	$209,867	+$ 19,039
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 23,780	$ 17,409	—$ 6,371
Unadjusted Credits	4,346	327	— 4,019
Other Liabilities	348	344	— 004
Long Term Debt	84,523	93,049	+ 8,526
Preferred Stock	32,531	32,531	—
Common Stock	35,167	35,167	—
Surplus	10,133	31,040	+ 20,907
TOTAL LIABILITIES	$190,828	$209,867	+$ 19,039
WORKING CAPITAL	$ 20,013	$ 25,242	+$ 5,229
CURRENT RATIO	1.8	2.4	+ .6

(*) After reorganization in 1947.

MOTOROLA, INC.

BUSINESS: One of the four leading television manufacturers, this company is also an important producer of home and auto radios. It is also expanding into new electronic fields and is perfecting new methods of utilization of two-way communications systems. Research department is among the most successful in the industry.

OUTLOOK: Since the sale of television receivers accounts for almost 60% of the business, the slump in TV sales since last March was bound to affect sales, which were about $145 million in 1951 compared with $177 million the previous year. However, the final quarter of the year witnessed a general improvement in the television industry, with the inventory problem which had plagued television manufacturers in the middle of the year, fairly well cleaned up. During this period, the company has forged ahead in its important microwave systems which are used by the natural gas industry along its transmission lines, and by the railroads and other large industries. The new germanium transistors, according to the president, promise to revolutionize the television industry as within a few years, they may supplant the present types of tubes. While this development is of long-range importance, of greater immediate consequence is that the company has cleaned up its inventory of finished TV sets and is now allocating them as a result of the increase in incoming orders. Military backlog is rising and the company is about to get into heavy production of communications and radar parts and equipment. Compared with 1950's earnings of $14.56 a share, 1951 earnings of $7.35 are sharply lower. Nevertheless, with the exception of 1950, they were the highest in the company's history attesting to the fundamental build-up of the company's earning power. Very few companies in the industry fared as well last year. It should be noted that despite heavy income and excess profits taxes of $13.8 million in 1950, the low capitalization permitted the unusual showing of $14.56 a share. Any increase in sales in 1952 which now seems probable, will be quickly reflected in higher per share earnings.

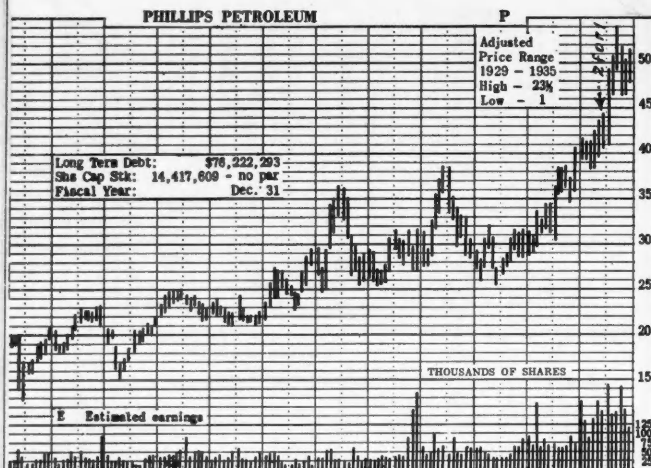
DIVIDENDS: The company paid $2 in 1951, in addition to 10% in stock. The cash rate is moderate in view of the earnings shown.

MARKET ACTION: Recent price—63, compared with a 1950-51 range of High—64, Low—21⅜. At current price, the yield is slightly over 3%, reflecting the prospect of earnings improvement.

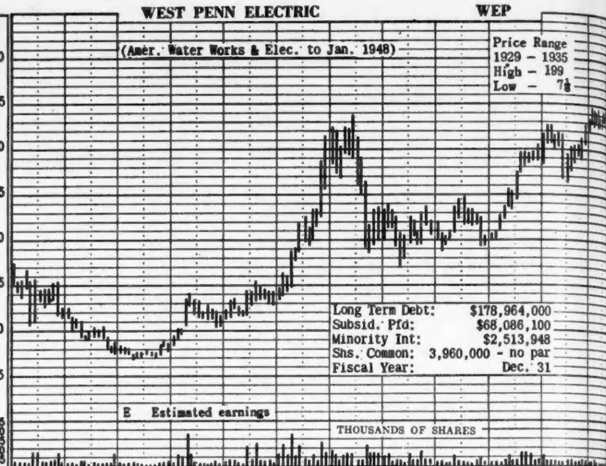
COMPARATIVE BALANCE SHEET ITEMS

	November 30 1946(*)	December 31 1950 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 1,211	$ 15,285	+$ 14,074
Receivables, Net	4,448	12,381	+ 7,933
Inventories	5,474	19,823	+ 14,349
TOTAL CURRENT ASSETS	11,133	47,489	+ 36,356
Net Property	2,465	6,054	+ 3,589
Investments	155	—	— 155
Other Assets	251	1,301	+ 1,050
TOTAL ASSETS	$ 14,004	$ 54,844	+$ 40,840
LIABILITIES			
Notes & Accounts Payable	$ 2,672	$ 10,537	+$ 7,865
Accruals	1,932	1,271	— 661
Tax Reserve	667	15,016	+ 14,349
TOTAL CURRENT LIABILITIES	5,271	26,824	+ 21,553
Other Liabilities	019	051	+ 032
Long Term Debt	—	1,395	+ 1,395
Capital Stock	2,400	2,400	—
Surplus	6,314	24,174	+ 17,860
TOTAL LIABILITIES	$ 14,004	$ 54,844	+$ 40,840
WORKING CAPITAL	$ 5,862	$ 20,665	+$ 14,803
CURRENT RATIO	2.1	1.7	— .4

(*) Name changed from Galvan Mfg. Co.



1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	
1.31	1.96	1.46	1.44	2.13	2.30	2.30	3.38	6.01	3.68	4.25	E 5.00	EARN.
1.00	1.12½	1.00	1.00	1.00	1.00	1.00	1.25	1.50	1.50	1.75	2.30	DIV.
29.1	30.0	33.6	24.4	30.7	43.3	44.5	64.2	72.8	87.3	93.6	Wkg Cap $ Mil	



1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	19[illegible]
1.21	1.11	.72	.61	.69	.62	2.28	3.07	3.28	3.31	3.49	E2.[illegible]
-	-	-	-	-	-	-	-	1.00	1.52½	1.85	2.[illegible]
6.0	1.8	3.1	10.8	14.8	16.6	16.5	16.0	15.7	16.4	12.9	Wkg C[illegible]

PHILLIPS PETROLEUM COMPANY

BUSINESS: One of the largest and most fully integrated of the "independent" domestic oil concerns. Occupies an important position in the three major fields of petroleum (producing and refining), natural gas and petro-chemicals. Has large acreage in Canada and the Williston Basin area.

OUTLOOK: In several respects, Phillips Petroleum is unique among the big oil companies. It stands first in rank as a producer of natural gasoline and is a major factor in the natural gas industry. In addition, it has developed very rapidly in the petro-chemical field, including carbon black and synthetic rubber. Of great immediate interest is its expansion into synthetic fibres, fertilizers and other petro-chemical derivatives such as ammonia and nitrogen solutions, sulphur compounds and many others. Recently its subsidiary, Phillips Chemical Co. arranged a $50 million stand-by credit with a group of banks to finance important chemical projects, including completion of those underway. These developments are of special investment interest since they round out the company's activities and render it far less immune to profit changes due to normal fluctuations in the price of petroleum products. Of great importance, also, is the company's strong position in natural gas, of which it has reserves of 15 trillion cubic feet, the largest among U. S. producers. Sales of this fuel have been mounting steadily, reaching about 500 billion cubic feet in 1950. The extent to which the company has grown is indicated by gross income which was $610 million in 1951 compared with $142 million in 1941. Per share earnings have also shown a healthy growth, rising from $3.68 in 1949 to $4.23 in 1950 and $5.45 in 1951 (all figures adjusted for the 2-for-1 split in 1951). The tax-sheltered position of the company is indicated by the size of permissible charge-offs for depletion, etc., which have been averaging $20 million in the past three years. The company, though doing an annual business of over $600 million, is conservatively capitalized, with $100 million bonds and 6,456,070 shares of capital stock outstanding. With a strong foundation in its three basic fields, Phillips Petroleum is in a position to continue growing indefinitely, a prospect which is enhanced by its activities in the new oil fields in Canada, the Williston Basin and the Sprayberry Sand Trend of West Texas.

DIVIDENDS: The company pays 60 cents quarterly and at current price, the yield is about 4.8%.

MARKET ACTION: Recent price—50, compares with a 1950-51 range of High—54, Low—28¾.

COMPARATIVE BALANCE SHEET ITEMS

	1941	(December 31 1950 (000 omitted)	Changes
ASSETS			
Cash & Marketable Securities	$ 13,967	$ 61,275	+$ 47,308
Receivables, Net	12,532	49,298	+ 36,766
Inventories	28,196	66,306	+ 38,110
TOTAL CURRENT ASSETS	54,695	176,879	+ 122,184
Net Property	180,709	465,759	+ 285,050
Investments	3,831	12,024	+ 8,193
Other Assets	6,621	12,569	+ 5,948
TOTAL ASSETS	$245,856	$667,231	+$421,375
LIABILITIES			
Notes & Accounts Payable	$ 14,152	$ 40,024	+$ 25,872
Accruals & Tax Reserve	10,542	43,165	+ 32,623
TOTAL CURRENT LIABILITIES	24,694	83,189	+ 58,495
Other Liabilities	1,476	1,141	— 335
Reserves	4,569	10,561	+ 5,992
Long Term Debt	33,923	123,838	+ 89,915
Capital Stock	132,686	211,049	+ 78,363
Surplus	48,508	237,453	+ 188,945
TOTAL LIABILITIES	$245,856	$667,231	+$421,375
WORKING CAPITAL	$ 30,001	$ 93,690	+$ 63,689
CURRENT RATIO	2.2	2.1	— .1

WEST PENN ELECTRIC COMPANY

BUSINESS: This is a holding company, whose operating units are serving principally territories in Pennsylvania, Maryland and West Virginia, including small adjacent areas in Virginia and Ohio. Among the company's customers are the steel, coal, glass and chemical industries.

OUTLOOK: West Penn Electric's steady growth since the ending of World War II, in both electric power sales and number of customers, has placed it in a strong position. During 1951, electric output of the system, including sales to other power companies, was 6.9 million Kwk., an increase of 11.4% over the previous year. Generating capacity has been increased to 1,272,000 kilowatts with the recent addition of a 91,000-kilowatt unit. To provide for new expansion, the company expects to spend about $50 million this year, almost half of which is being currently financed through the sale of additional stock. In 1951, 10% was added to the outstanding stock through direct stock financing. The company is obviously pursuing a policy of building up the equity portion of its capital structure. Last year's earnings of $2.96 a share compare with $3.49 in 1950. However, comparison should allow for the 10% increase in stock in addition to difficult operating conditions in certain of its traction properties. When these properties are eventually abandoned, it is expected that the company will enjoy substantial tax savings. Furthermore, last year's earnings do not reflect the 10% rate increase put into effect Oct. 29. This will add about $1.4 million annually to consolidated net income, or about 40 cents a share. Of the decrease in last year's earnings, about 20 cents a share was due to higher taxes but this will be offset in the present year by an equivalent amount derived from the repeal of the electric energy tax. On this basis, it would seem that 1952 earnings will be closer to those of 1950, or about $3.35 a share, after giving weight to the increased common stock. Current price for the stock of around 31 thus would be equivalent to 9 times current earnings, an evaluation which allows for a higher price level for the shares eventually.

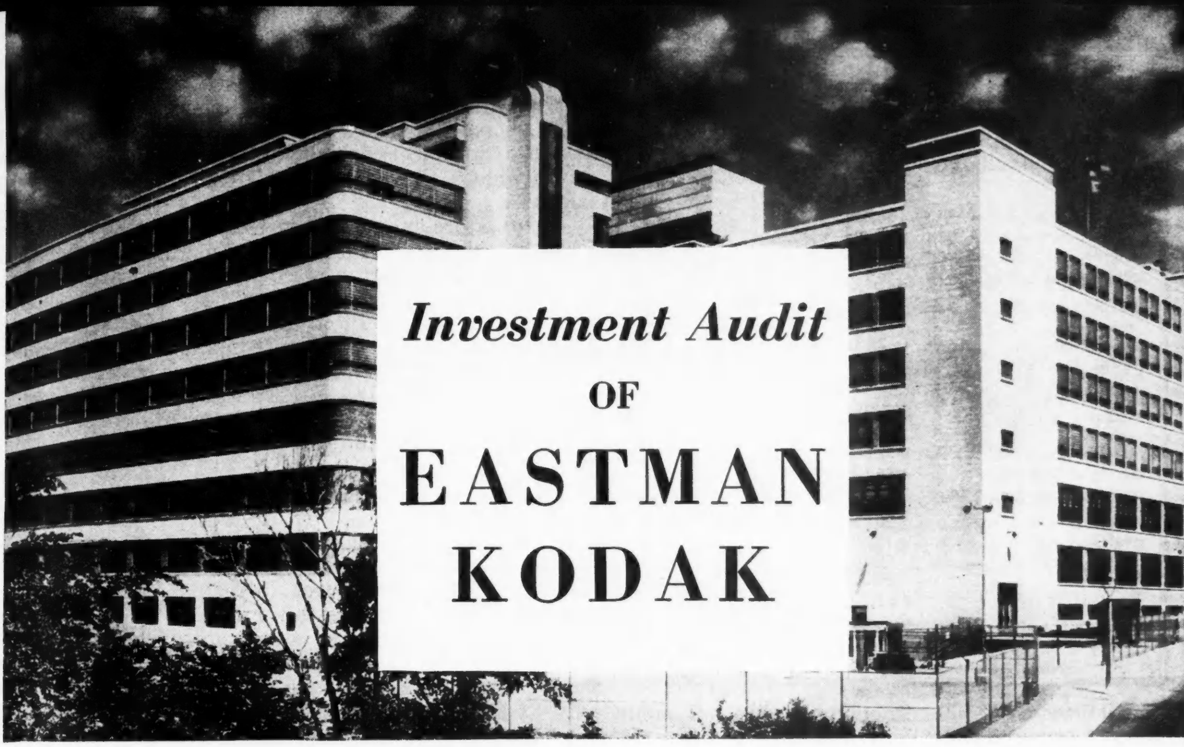
DIVIDENDS: Dividends of $2 a share, raised from $1.85 a share in 1950, are amply covered, even on the basis of the temporarily lower earnings of 1951.

MARKET ACTION: Recent price—31, compares with a 1950-51 range of High—37, Low—27. At current price, the yield is 6.4%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	October 31 1951* (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 13,632	$ 42,198	+$ 28,566
Receivables, Net	4,201	8,538	+ 4,337
Materials & Supplies	2,761	13,414	+ 10,653
TOTAL CURRENT ASSETS	20,594	64,150	+ 43,556
Net Property	267,712	385,606	+ 117,894
Investments	2,122	3,109	+ 987
Depos. with Trustee	—	11,000	+ 11,000
Other Assets	10,370	3,792	— 6,578
TOTAL ASSETS	$300,798	$467,657	+$166,859
LIABILITIES			
Notes & Accounts Payable	$ 1,708	$ 11,822	+$ 10,114
Accruals	3,928	3,760	— 168
Accrued Taxes	11,824	17,918	+ 6,094
TOTAL CURRENT LIABILITIES	17,460	33,500	+ 16,040
Other Liabilities	5,860	7,071	+ 1,211
Reserves	39,736	82,418	+ 42,682
Long Term Debt	116,487	197,805	+ 81,318
Preferred Stocks	99,614	68,086	— 31,528
Common Stock	9,998	51,053	+ 41,055
Surplus	11,643	27,724	+ 16,081
TOTAL LIABILITIES	$300,798	$467,657	+$166,859
WORKING CAPITAL	$ 3,134	$ 30,650	+$ 27,516
CURRENT RATIO	1.2	1.9	+ .7

(*) Pro Forma, reflecting recent financing.



Investment Audit OF EASTMAN KODAK

By STANLEY DEVLIN

After half a century of dynamic growth to industry leadership, it would not be strange to note signs of maturity in any company. Yet, although the rate of progress seems slackening, Eastman Kodak Company still appears to possess exceptional potentialities for impressive gains in the years ahead. Basic reasons for optimism for the future are found in the widespread appeal the company's products have attained, the impending rapid increase in the "young fry" population and the steady advance in national purchasing power. The fact that photographic supplies have increased in price relatively less than most consumer goods is an important sales-sustaining influence.

Confidence in further growth is strengthened by evidence of broadening interest in amateur photography. One needs only to observe how sales have skyrocketed in the last dozen years to appreciate the spectacular surge toward picture taking since the depression of the mid-1930's. Consider the fact that sales rose from about $136 million in 1937 to an estimated $600 or more for 1951—a jump of some 450 per cent in a comparatively short time. Net income has failed to keep pace, however, as may be readily understood, considering heavy corporate taxes that have been imposed on industry. Nevertheless, earnings have expanded to the proximity of $60 million from $22.4 million in 1937. Meantime capitalization has expanded too, so that expressed on a share basis, the rise in earnings has appeared rather modest.

In these days of emphasis on industrial research and on prospects for counteracting inflationary forces, Eastman Kodak compares favorably with quality issues available for public participation. Diversification and broadening of activities achieved through development of new products which will be described in some detail later, probably are not fully appreciated by the investment public. Expansion in facilities through capital expenditures of approximately $200 million has been accomplished without recourse to outside financing. Retained earnings and depreciation charges have proved adequate to supply the necessary funds for physical growth.

Another phase of operations that sets Eastman in a class by itself is the company's labor relations record. The founder's forward-looking policy set the pattern for liberality in wages and bonuses. For scores of years, workers have considered it an opportunity to get on Eastman payrolls. Profit-sharing distributions to employees have seemed unduly generous to some industrialists as well as to many stockholders, but the investment has paid off in a minimum of labor unrest and turnover. Attempts to unionize plants have been strongly resisted by the workers themselves, and this may be attributed to the conviction among employees that their wage scales already are above the average for their industry as well as in the areas where they live. So far as is known, there never has been a strike in any of the company's major plants. The unusually favorable labor relations, expressed in greater-than-average worker productivity as well as in a low rate of turnover in skilled operatives, largely account for high profit margins.

Unbroken Record of Profits

Before considering in greater detail various aspects of the company's progress and sales potentialities, it may be well to review a few financial facts. The company never has experienced an unprofitable year and dividends have been paid regularly since they were initiated in 1902. Total assets have expanded some 90 per cent to more than $440 million in the last decade, net working capital has forged

Comparative Balance Sheet Items

ASSETS	December 26 1942	June 17 1951 (000 omitted)	Change
Cash	$ 22,618	$ 25,647	+$ 3,029
Marketable Securities	56,358	34,589	— 21,769
Receivables, Net	27,994	56,242	+ 28,248
Inventories	65,145	113,541	+ 48,396
TOTAL CURRENT ASSETS	172,115	230,019	+ 57,904
Net Property	95,029	199,607	+ 104,578
Investments	10,125	6,894	— 3,231
Other Assets	4,266	3,342	— 924
TOTAL ASSETS	$281,535	$439,862	+$158,327
LIABILITIES			
Accounts Payable	$ 12,083	$ 49,779	+$ 37,696
Accruals	3,187	6,103	+ 2,916
Accrued Taxes	57,086	16,840	— 40,246
Reneg. of Contracts	14,700	....	— 14,700
TOTAL CURRENT LIABILITIES	87,056	72,722	— 14,334
Reserves	20,234	....	— 20,234
Preferred Stock	6,166	6,166	....
Common Stock	99,040	150,338	+ 51,298
Surplus	69,039	210,636	+ 141,597
TOTAL LIABILITIES	$281,535	$439,862	+$158,327
WORKING CAPITAL	$ 85,059	$157,297	+$ 72,238
CURRENT RATIO	2.0	3.1	+ 1.1

ahead almost to $160 million, and equity per common share has more than doubled in the last ten years at approximately $24 a share despite sizeable stock dividends in recent years. A strong cash position has been consistently characteristic of the company's operations. Detailed statistics illustrative of Eastman's impregnable position are presented in the accompanying tabulation.

Throughout the civilized world, Eastman is known as a leading manufacturer of cameras and photographic supplies, but the company is less widely known as a producer of textile materials, chemicals, vitamins, high vacuum pumps and other items. Expansion into chemicals, especially acetate rayon and cellulose plastics, resulted from research into all phases of producing materials used in film making.

The Tennessee Eastman Corporation, a wholly owned subsidiary, is rated as the country's second largest producer of acetate rayon, being outranked only by the Celanese Corporation of America. The company also probably is the second largest factor in production of cellulose plastic materials, demand for which is steadily expanding. Hercules Powder is regarded as the leading source of this item. Other major producers include Monsanto Chemical, Union Carbide & Carbon, and E. I. duPont de Nemours & Co.

Investors may be surprised to learn through its chemical research activities, Eastman has been engaged on a program of concentrating rare isotopes. Moreover, operation of the huge Atomic Energy Commission's plant at Oak Ridge, Tennessee, was entrusted to the company's management. Development and production of the Navy's proximity fuse has been credited to Eastman and in World War II, the company was a major producer of high explosives for the military forces.

Distribution of Company's Sales

In appraising prospects for this company, it probably would be helpful first to look at a breakdown of sales among the several principal channels to see how the business possibly might be affected by economic changes or by development of competitive products. It has been pointed out, for example, that a "filmless" camera may be perfected capable of recording sound and images simultaneously on a magnetized plastic tape costing a fraction of the price quoted for film. How important would such a device prove?

Before studying competitive angles, let us first see where Eastman's volume of business originates. In recent years, amateur photography has accounted for slightly less than one-third of sales. Of the total, amounting to about $125 million in an average year, the larger part represents roll films or packs for small cameras. Films for amateur movie cameras also has become a fairly substantial item. Commercial professional photographers contribute approximately one-fourth of volume, of which a large percentage represents plates, film packs and developing materials.

Cellulose products account for between one-fifth and one-fourth of sales, depending partly on whether the textile industry is experiencing a good year. Thus approximately two-thirds of sales, on the aver-

Long Term Operating and Earnings Record

	Net Sales (Millions)	Operating Profit (Millions)	Operating Margin	Income Taxes (Millions)	Income Net (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range
1951 (36 weeks)[2]	$384.2	$ 98.4	25.6%	$66.0	$32.3	8.4%	$ 1.94	$ 1.80[4]	......	51¾-41⅛[5]
1950	461.3	108.6	23.5	56.2	61.8	13.4	4.09	1.70[1]	17.3%	52⅝-40
1949	396.2	69.3	17.5	26.1	49.7	12.5	3.29	1.70[1]	15.6	48¼-38⅜
1948	435.3	86.4	19.8	33.9	55.4	12.7	4.05	1.65	18.5	46⅜-38⅛
1947	351.7	66.7	18.9	26.5	43.1	12.2	3.15	1.55	16.4	49¼-42½
1946	274.7	45.3	16.5	15.7	35.6	12.9	2.85	1.40	15.8	52⅝-40
1945	301.5	52.7	17.4	28.8	32.7	10.8	2.61	1.30	15.7	45¾-34
1944	303.6	70.7	23.2	47.4	23.0	7.5	1.83	1.00	11.9	35⅝-31⅜
1943	269.0	67.7	25.1	43.9	22.2	8.2	1.77	1.00	12.1	34 -29⅜
1942	219.7	62.6	28.5	39.1	21.1	9.6	1.68	1.35	12.1	30½-21¾
1941	181.8	51.7	28.4	28.2	21.5	11.8	1.71	1.20	12.9	29 -24
10 Year Average 1941-50	$319.4	$ 68.1	21.8%	$34.5	$36.6	11.1%	$ 2.70	$ 1.38	14.8%	52⅝-21¾

1—Plus 5% stock.
2—Ended Sept. 9.
3—Pre-Tax Income.
4—For the full year, plus 10% in stock.
5—To February 25, 1952.

age, scarcely would be affected by what might or might not take place in the motion picture and television industries. It is generally assumed that in due course, substantially larger volumes of film may be consumed in these fields.

From this it may be seen that development of substitutes for film in the motion picture field would affect only a minor segment of Eastman's business. Moreover, a company which has been so aggressive on research hardly could be left in the lurch on such a move. If plastic tape is destined to replace film in recording movie and television programs, it would be a reasonable assumption that Eastman would come up with the right equipment. Film supplied to professional motion picture customers has accounted for slightly less than 10 per cent of total sales in recent years. Chemicals, military photographic apparatus and miscellaneous items have averaged about 4 to 6 per cent of annual volume.

STATEMENT FOR THE MAGAZINE OF WALL STREET

by THOMAS J. HARGRAVE, President, Eastman Kodak Co.

"In recent years, an important trend in photography has been its growing use in industry, medicine, science, entertainment and many other commercial and professional fields. At the same time, amateur photography has continued to expand."

"Color photography is of special interest. It has grown greatly in the past 15 years. Yet there are many new or wider uses—both in professional and amateur lines."

"The outlook for 1952 is, in general, good. The photographic business as a whole is growing. As for our company, we expect good sales of our regular lines and somewhat increased defense business, which accounted for an eighth of our total sales last year."

"Our pay-as-you-go plant improvement program has been pushed ahead actively. About $40 million was used in 1951 for new or better facilities and a similar sum has been budgeted for 1952. This program has helped increase our business volume and earnings before taxes. Although—because of high taxes—we do not expect net earnings to keep pace with higher sales, we feel that the outlook is reasonably favorable under present conditions."

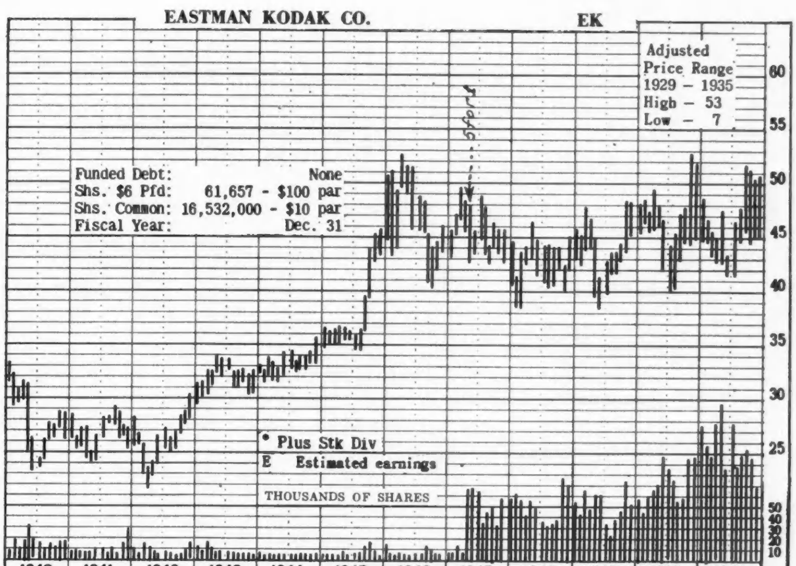
In the country where the coined word "kodak" has become synonymous with camera, it is not surprising that Eastman has gained dominance in its industry. The company is by no means a monopoly, however, and it has able competition in photographic equipment as well as in production of film and of industrial items. Burroughs Adding Machine in conjunction with Bell & Howell, for example, has made significant strides in micro-filming operations in competition with Eastman's "Recordak" division which simplified record keeping for banks, insurance companies and other institutions.

For a "blue chip" issue having a highly promising chemical and synthetic fibre operation, Eastman has performed rather sluggishly marketwise. Since the five-for-one split five years ago, the shares have not done quite so well as the industrial list as a whole. This seems surprising in view of the fact that for the last couple of years best grade stocks have commanded greatest attention from institutional investors and from pension funds. Last September when Eastman reached the highest price on record at 51¾—equivalent to slightly more than 255 for the old shares—it had gained only about 25 per cent from the level prevailing a little more than four years earlier when the split took place. Most stocks in the "blue chip" class have scored more impressive gains.

Eastman's slower pace may be explained in part by its modest dividend policy in recent years as well as by the absence of an "inflation hedge" talking point. Investors also may have feared that sales might be hampered by allocations of strategic materials. In any event, the stock around recent level of 44½ is about in the lower third of its 1951 price range.

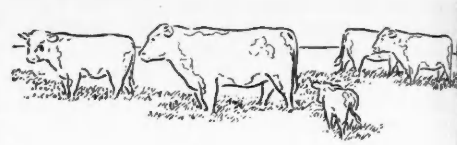
Dividends have been relatively low even allowing for the fact that distributions of stock have been authorized for the last four years. The pay-out of cash averaging less than $1.50 a share for several years is well below average for the company's first quarter of a century. For many years dividends averaged 60 to 70 per cent of earnings and in 1930 the distribution came to 90 per cent of net profit. It seems reasonable to suppose that management may feel disposed to return to a more liberal rate as soon as it is determined that expansion has reached a desirable goal.

Although stock dividends have become increasingly popular as a means of raising dividend payments gradually and at the same time retaining earnings for expansion, this policy has seldom contributed a major impetus to appreciation in prices. Stock splits have proved more dynamic in this respect. In view of (*Please turn to page* 659)



1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	
1.59	1.71	1.68	1.77	1.83	2.61	2.85	3.46	4.11	3.80	4.09	E 3.00	EARN.
1.20	1.20	1.35	1.00	1.00	1.30	1.40	1.55	1.65	•1.70	•1.70	•1.80	DIV.
76.5	73.9	85.0	102.4	115.4	133.9	114.8	120.7	129.0	127.3	156.7	Wkg Cap $ Mil	

Reappraisal of the . . . .



MEAT PACKERS

By H. F. TRAVIS

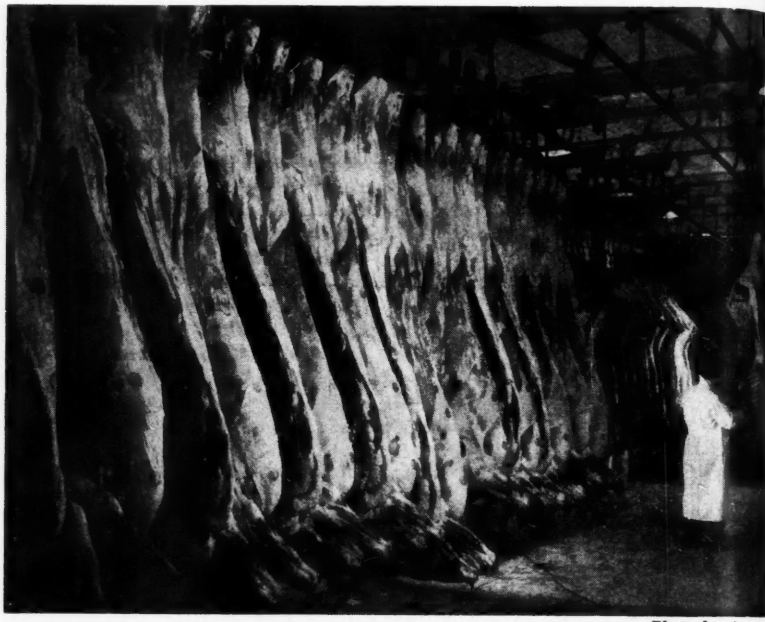


Photo by Armour

Skies are brightening for the nation's meat processors. If political factors were as encouraging as economic developments, managements could look forward to really promising results. Elimination of price ceilings would provide the relief that packers need to feel full confidence in restoration of normal profit margins. What action Congress may take on the Washington Administration's proposal to extend price controls beyond the June 30 expiration date is anyone's guess.

Regardless of prolongation of Government regulations, however, operating results in the industry should prove more satisfactory this year. In the first place, the livestock population has increased to the largest total in years. Hence, raisers may be more willing to ship their animals to market than for the last year or two when the incentive was strong to hold them for higher prices. The flow of livestock to slaughtering houses has been more nearly normal than for many months past, with the result that packers are able to operate their plants more efficiently.

Consumption of meat has been declining notwithstanding the fact that retail prices have stabilized or even declined moderately. This trend is surprising, for experience shows that demand for meat usually follows closely the trend of disposable income, which has been rising steadily. Housewives have revolted against high prices and either have concentrated on substitutes or have taken cheaper cuts. There is evidence to indicate that demand for pork has increased at the expense of beef because pork generally has been below ceiling prices.

It would be strange indeed if meat consumption should continue to decline, however, in the face of rising purchasing power. The public will be satisfied with poultry, fish and other substitutes for meat for short periods, but generally the normal eating habits are quickly restored. Consumption may rise this year to around the average of the postwar years at about 144 pounds per capita. Demand declined last year to about 140 pounds, it is estimated. A combination of abundant supplies and rising consumer demand, especially if price ceilings impose no serious handicap, would stimulate sales volume and raise hopes of a good earnings recovery.

There are other reasons for adopting a hopeful attitude on 1952 prospects. As an example, it would be extremely unlikely for the industry to encounter another catastrophe this year as serious as the Kansas City floods, which inundated slaughtering plants and storage warehouses near the river. Most packers find it impractical to insure against flood damage because of the high premiums. Swift & Co. suffered losses of almost $2.8 million in three plant cities. Damage resulting from the Kansas River's overflow was the greatest the company had ever experienced.

Similarly, Armour suffered losses estimated at $6 million when the Kansas City plant was inundated to a depth of 18 feet. Net loss after tax credit slightly exceeded $3 milion. Disruptions such as experienced in 1951 are unlikely to be repeated this year, and to that extent improvements in results may be anticipated.

By-product Losses Unlikely

More satisfactory results are likely in some by-products such as hides and oils. Results were disappointing in these items last year. In the case of hides, for example, Government authorities rolled back prices a year ago in January causing packers to reduce their selling prices while skins were being cured even though their sale had been contracted for at higher prices. Swift experienced a reduction in product value of about $700,000 which could not be recouped.

Prices of fats and oils declined steadily as a result

of overstocking by consumers following the inflation scares that were touched off by the Korean incident. Excessive inventories of these products now have been worked off, it is believed, and demand is expected to follow a normal pattern this year. Managements are hopeful of obtaining usual profit margins. Those companies engaged in crushing cottonseed also are hopeful of more satisfactory results in vegetable oils.

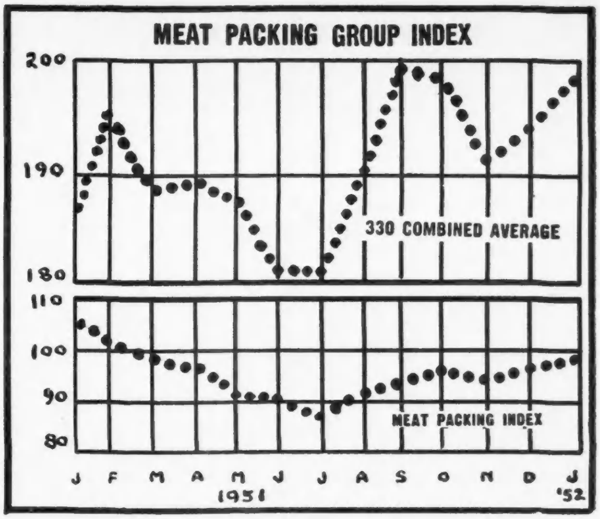
Wide price fluctuations in wool also contributed to a difficult situation in marketing clips. Average prices tumbled from about $3.65 a pound early in the year to a level of $1.59 in September, and this trend was unfavorable for the packer. Prices appear to have stabilized to a great extent, and more nearly normal results are anticipated this year.

More Animals Assure Higher Sales

The brightest spot, however, is the rise in farm livestock population. An abundance of animals increases the likelihood of a steady movement to market. The value of livestock and poultry on the nation's farms reached a record high of $20 billion as of January 1, the Department of Agriculture estimates. This represents a 14 per cent rise for 1951. Cattle and calves increased in number about 6 million for the year to 88 million, the largest gain for any year on record.

This total compared with about 85.6 million on January 1, 1951 and represented an increase of 11 per cent above the ten-year average—which suggests that marketings may be more aggressive this year. Hogs on the farms at the beginning of 1952 numbered 63.9 million, an increase of about 1 million, and the population in this group was about 3 per cent over the ten-year average. Sheep increased slightly to 31.7 million from about 30.6 million a year earlier.

Profits in the industry are trifling at best. That is why stocks of leading packers have steadily lost favor with the investing public. Even though the companies are privately owned and are not governed directly by public service commissions, they have taken on the characteristics of public utilities. Their products are so vital to the life of the people that Government officials feel impelled to act to prevent excessive increases in the cost of living, and it is much more politically expedient to impose restraints on "big business" than on cattle and livestock raisers—who of course are voters.



In an inflationary economy in which the industry has found itself for the last several years, it has been especially difficult to maintain a reasonable profit margin without boosting meat prices to levels that discourage consumption. Frequent wage increases have been necessitated in order to hold employees and to keep their wages in line with competing industries. Although mechanization has been improved and wage costs are not high in relation to total sales, nevertheless packers have been compelled to rely more on byproducts than on meat for earnings with which to compensate stockholders.

If the industry should experience a rebound in profits this year, representative stocks might be expected to prove attractive holdings. They have been in disfavor for a considerable period—chiefly for the reason that the public has not been impressed with their earnings and dividend prospects under price control. Latest available statistics on typical companies are presented in an accompanying tabulation. The figures may prove useful in making comparisons. A detailed discussion of several of the leading companies may shed additional light on the industry's problems.

The largest of the major packers, *Swift & Co.*, handled the largest (*Please turn to page* 660)

Statistical Data on Meat Packing Companies

	Net Sales 1951* (millions)	Net Sales 1950* (millions)	Net Per Share 1951	Net Per Share 1950	Div. Per Share 1951	Div. Per Share 1950	Div. Yield†	Price Earnings Ratio‡	Recent Price	Price Range 1951-52
Armour & Company	$2,215.2	$1,859.8	$ 3.20	$ 3.94	......	......	......	3.6	11⅝	12⅞- 8¾
Cudahy Packing	640.4	583.3	.58	1.67	......	......	......	12.1	7	11 - 7
Hormel, Geo. A., & Co.	303.6	249.7	4.54	4.39	$ 2.50	$ 2.50	5.7%	9.6	44	50 -42
International Packers[3]	136.2[1]	155.6	1.00[2]	1.61	1.20	.40	10.3	11.6[2]	11⅝	15⅝-11½
Morrell, John, & Co.	307.6	291.2	1.53	1.08	.50	.50	3.6	9.0	13¾	18½-12⅛
Swift & Co.	2,524.2	2,214.8	2.04	2.73	2.35	2.35	7.3	15.6	32	40 -32
Wilson & Co.	823.5	708.7	1.79	1.59	1.00	1.00	8.2	6.8	12¼	15¼-12

†—Based on 1951 dividends.
‡—Based on 1951 earnings.
*—Fiscal years of most companies ended approximately Oct. 30.
1—9 months ended September 30.
2—Estimated.
3—Successor to Swift International Co.; fiscal year ended Dec. 31.

FOR PROFIT AND INCOME

March

The classical warning to "beware the ides of March"—said ides meaning specifically March 15—did not refer either to the stock market, which did not exist in Roman days, nor to the deadline for filing your income-tax return. For the market, March—like most other months—is "just another month." It has no seasonal bias for stock prices either way, as indicated by the past record. Over the 40-year period through 1951 there were material net gains in March by the Dow industrial average in 13 years, material declines in 12 years, insignificant changes in 15 years. There were relatively large March declines in 1931, 1932, 1938 and 1939. On the other hand, large advances in March, or any other month, have been rare. There is nothing mysterious about this; for, on an average, declines are about twice as fast as advances. This year's January-February decline, especially should it go somewhat further, might set up a technical springboard for a March rally. Otherwise, the market's March outlook is not impressive. At worst, as things look now, it probably would take only a few more weeks of reaction at the average rate of the last five weeks to provide an adequate base for at least a substantial intermediate recovery. Hence, experienced traders will be on watch for a nearby buying spot.

Support

Technical support levels are indicated by the chart areas around which a large amount of buying and selling was done over a period of weeks, or several months, without important net change in average stock prices – in short, by prior periods of considerable congestion. For the Dow industrial average, one such support area is indicated between 260 and 255; and a much stronger one between 250 and 240, with the 240 point "crucial." For the rail average, the chart suggests considerable support around 80, with the average very close to it as this is written; but no equally impressive second line of support for a rather wide distance under that level. Whether or not the cited support levels are reached by either average, the general sell-off already foots up to at least an intermediate price swing, as distinct from a minor correction; there are no technical indications that it has been completed; and the assumption at this writing must be at least a moderate further sag.

Groups

In the main the market decline has been paced by stocks which enjoyed exceptional investment popularity in 1951 and early 1952, becoming technically vulnerable at historically advanced levels. The conspicuous examples include oils, chemicals and coppers. The latter have been affected also by a considerable cooling of enthusiasm for non-ferrous metals generally, both here and in other world markets, on the basis of current or prospective increases in supplies. Textiles, including rayons, have weakened further on account of continuing adverse conditions in the trade, resulting from previous over-production and excessive in-

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1951	1950
Bendix Aviation Corp.	Dec. 31 Quar.	$1.37	$1.21
Bullard Co.	Year Dec. 31	5.55	3.17
Family Finance Corp.	Dec. 31 Quar.	.47	.37
Eagle-Picher Co.	Year Nov. 30	4.11	3.25
Household Finance Corp.	Year Dec. 31	4.25	4.09
Cleveland Elec. Illum.	Dec. 31 Quar.	1.11	.97
Eastern Gas & Fuel Associates	Dec. 31 Quar.	1.12	.74
Willys-Overland Motors	Dec. 31 Quar.	.53	.34
U. S. Rubber Co.	Year Dec. 31	14.29	11.04
Mathieson Chemical Corp.	Year Dec. 31	3.56	3.32

ventory accumulation. Moreover, investors may have begun to ponder the unclear competitive consequences for rayon, as well as cotton and woolen textiles, of the increasing number of new, chemically-originated synthetic fibres. However, selectivity in this market phase is only a matter of differing degrees of decline. Unlike the prior advancing phases, the downswing in prices has been very nearly as general as reactions ever were.

Highs

Stocks recently making new 1951-1952 highs in a sagging market have, of course, been a small minority. They include Amerada Petroleum, Commercial Credit, Family Finance, Joy Manufacturing, Kansas City Power & Light, Niagara Mohawk Power, Northern States Power, West Penn Electric, United Gas, Oklahoma Gas & Electric, Commonwealth Edison, and Louisville Gas & Electric, and most of them have already eased from such highs.

Lows

Stocks making new 1951-1952 lows are numerous, but so far include only a minority of "Big-Name," or even fairly prominent, issues. They include Best Foods, Distillers Corp., Cannon Mills, Federated Department Stores, Industrial Rayon, International Business Machines, Montgomery Ward, Schenley, Simmons, Hiram Walker, International Shoe, Pullman and U. S. Gypsum.

Theory

The Dow Theory, still followed by some naive people, although much fewer than formerly, failed to give a bull-market "confirmation" at the January highs, since the industrial average stopped slightly short of its high of September, 1951, and the rail average materially below its high of February, 1951. It is beside the point that more representative measures of industrial stock prices did materially better the 1951 highs at the best January level, since rails did not, no matter what average or index you use. Dow Theory has never worked too well as a mechanistic method of interpreting market trends, and has worked particularly badly in the investment-based market of recent years. For instance, it "confirmed" a bull market in May, 1948, within less than 3% of its top; a bear market in November, 1948, within about 7% of its bottom; a bull market in October, 1950, after the industrial average had already risen about 42%, or by more than half of the entire advance up to last September's major high; and a bear market in June, 1951, at a level about 34 points under the subsequent major high. On the basis of that record, one should not pay too much attention to the next Dow-Theory "signal," to be provided by the action and reaction of the two averages over a period of time, following completion of the present decline. The main trouble with the Theory is that it either proves wrong, or proves right only after a generally important time lag.

Taxes

It is a reasonable probability that the excess profits tax will be eliminated, effective after 1953, assuming (1) developments of a deflationary business cycle in 1953 or sooner, which is a pretty good bet as things look now; and (2) election of a more conservative Administration than we now have. On any given level of pre-tax corporate income, removal of EPT, leaving the regular rate at the present 52%, would mean an automatic increase of 60% in earnings of companies which are now subject to the ceiling rate, including EPT. For investors willing to take a fairly long look ahead, market declines will provide opportunities to buy stocks of growth companies which are now paying ceiling tax rates or rates much above the 52% regular rate, whose pre-tax incomes are likely to hold up much better than average through the post-defense adjustment, and whose earnings base is likely to rise to new high levels over the long-term. A few such issues to consider and watch are American Cyanamid, Dow Chemical, Marathon Corporation, Merck, Pfizer, Dixie Cup, Sutherland Paper, Monsanto Chemical, Rohm & Haas, and Minnesota Mining & Manufacturing.

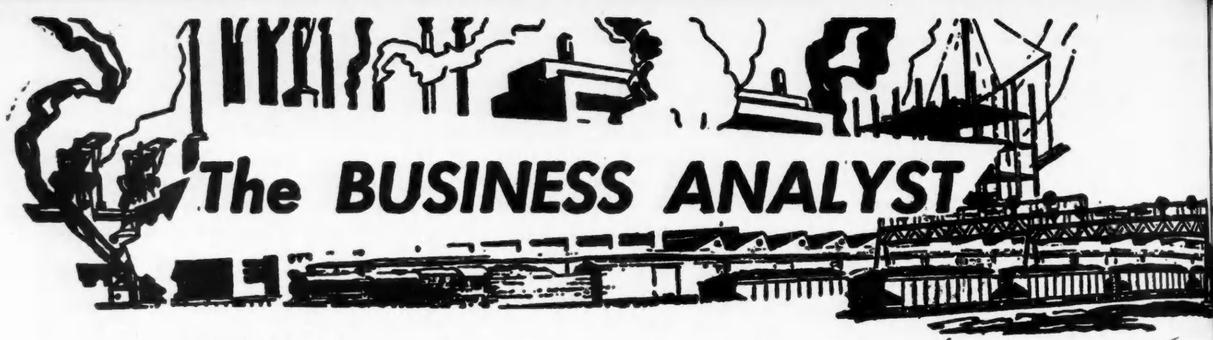
Rotation

Aside from any considerations having to do with the business scene, with softness in commodity prices and with the stretched out arms program, the market had internal ailments sufficient in themselves to halt the December-January rise and to dictate a substantial correction. The continuation of a major upward trend has always required adequately broad group participation and rotating group leadership. However, since the start of the Korean war, and to a greater extent after February, 1951, many stock groups failed to extend their prior upward trends in phases of advance. Demand concentrated particularly on a limited number of favored groups, carrying them to record highs and thereby reducing their appeal to buyers; with the result that the market progressively ran out of groups that could be dynamically exploited. In advancing phases after last February and through last September, the most popular major stock groups were oils, coppers, chemicals, drugs, tires, rayon and paper. Of these only oils and coppers made further net progress in early 1952, despite the factor of January re-investment demand; and their further rise added them to the number of technically vulnerable groups. Hence, the exhaustion of upside leadership

(*Please turn to page* 663)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

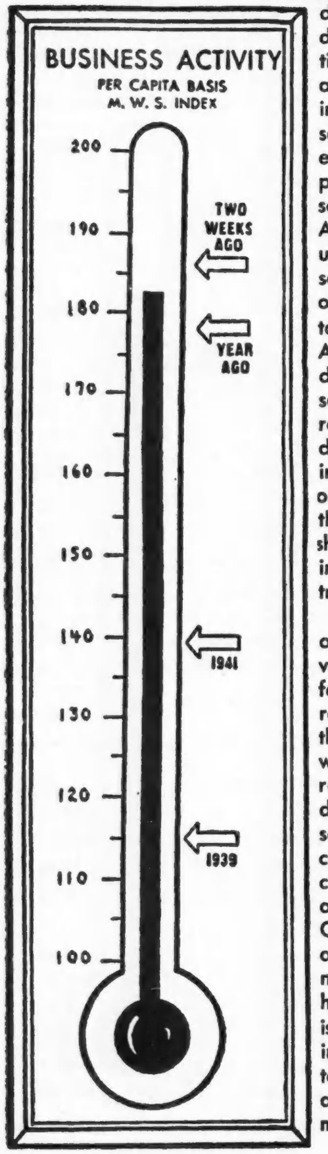
		1951	1950
Pacific Mills	Year Dec. 29	$ .94	$6.39
Publicker Industries, Inc.	Year Dec. 31	.87	2.94
Western Union Telegraph	Year Dec. 31	4.85	7.26
American Tobacco Co.	Year Dec. 31	5.57	7.17
Atlas Powder Co.	Year Dec. 31	3.24	4.26
Champion Paper & Fibre	Dec. 31 Quar.	1.08	1.23
Acme Steel Co.	Dec. 31 Quar.	.65	1.06
General Portland Cement	Year Dec. 31	4.36	5.68
Nash-Kelvinator Corp.	Dec. 31 Quar.	.23	1.17
Robbins Mills, Inc.	Year Nov. 30	2.01	7.03



What's Ahead for Business?

By E. K. A.

Cross currents in business emphasize the recessionary tendencies apparent for some time in a good many lines. Thus the National Association of Purchasing Agents finds that the downtrend in industrial order bookings and production reported in December and January has continued in February at about the same rate, with a considerable gap between order position and production schedules remaining. The Association's survey finds unsatisfactory conditions in some lines and conflict of opinion with respect to certain downtrends in activity. A majority reporting reduced business, the study said, attribute it to materials restrictions on civilian production without compensating benefit of Government orders. Others express doubt that civilian business would show any substantial pick-up in many lines, even if controls were entirely removed.



As to arms production, only 19% of those canvassed reported high defense output. The others range from none to less than 10% defense activity, with a fairly large number reporting some slowing down of military production schedules occasioned by cancellations, specification changes, delivery stretch-out and pilot line operations. Overall prices are described as static, although it is noted that more soft spots had developed. Competition is reported keen and growing keener, though inventories are lower and better adjusted to current requirements. Employment is down and in addition, there has been a good deal of reduction in working time. Buying policies are being further restricted within the ninety-day bracket.

There is plenty of evidence to support this summary picture. Of particular interest is the softening of certain commodity prices, and the change in supply conditions from tight to adequate or even liberal, in the case of some materials. As a result, we now hear that the Defense Production Administration considers a proposal to permit production of one million passenger cars in the second quarter, a 70,000 unit increase over the present ceiling. It might mean granting of one or two million pounds of copper to the auto industry. Restrictions on appliance industries might also be eased somewhat. Elsewhere a few steel producers report that civilian orders are slumping. The world-wide ships' bunker oil shortage, which not so long ago threatened to hit "critical" proportions, is taking a marked turn for the better. Lead is again in ample supply with the result that the NPA is about to relax drastically controls over foreign and domestic sources and revoke completely controls over manufacture of storage batteries.

These are just some examples of how drastically things have changed in a relatively short time. "Decontrol of materials will accelerate as the months go on," Commerce Secretary Sawyer predicted in a recent speech, adding that "we are approaching the point where our capacity to produce will permit such a policy." Fears of shortages and the urge to speculate in the expectation of higher prices have been removed, he said.

Little wonder that even Government economists, after waiting a year for another burst of inflation, are rapidly coming around to the view that there just won't be any. Some even fear a "slight" recession. And some admit feeling downright "sheepish" when confronted with their earlier predictions.

All of which points to one thing: A big-scale business upturn can hardly be expected anytime soon and there may be some further declining tendencies. Forces at work tend to keep a lid on consumer demand and on general business, and arms spending is behind schedule, meaning that it isn't taking up the slack in consumer buying. If it continues, this state of affairs may well force somewhat more urgent inventory liquidation, and intensify consumers' tendencies to wait for bargains. It's a situation that could feed on itself, making for rather more deflation than many would currently anticipate.

It does not, however, portend anything approaching a serious recession. Rather, it signifies a state of readjustment that has to run its course and could later be followed by an at least moderate pick-up, if not something more robust. And it's by no means a one-sided picture. While there are quite a few soft spots, there are plenty of others were activity remains high.

The Business Analyst

HIGHLIGHTS

MONEY AND CREDIT—Refunding decisions recently announced by the Treasury indicate that the financial arm of the government is ready to recognize that higher interest rates are here to stay. The Treasury has decided to refund $1,023,568,350 of 2½s called for payment on March 15 into new bonds bearing 2⅜ per cent interest and due in 1959 with option of prepayment on March 15, 1957. In addition holders of $9,524,077,000 of 1⅞ certificates due April 1 will be offered an issue similar to the one they hold, bearing the same rate of interest and due in 11½ months. The Treasury is foregoing the option of calling for payment on June 15 of a total of $1,500,000,000 of 2¼s and $6,335,000,000 of 2s due in 1954 and 1955. The new seven year bond which the Treasury is offering is the first longer term marketable security to be issued since 1945 and reflects the Treasury's unwillingness to add to the already unwieldy floating debt. At the same time it is eager to ascertain whether commercial banks are in a mood to absorb a medium term issue. However the test of the market is being made warily as is evidenced by the "rollover" of the 1⅞% certificates, a move which indicates that the Treasury is not yet willing to attempt a reduction of the supply of short-term debt. Treasury moves at present must be made with an eye on the outlook for the balance of the year. Since January 1 of this year, expenditures and receipts have been in approximate balance while in the same period of last year a $1.2 billion surplus was shown. Furthermore, this year some $1.2 billion of taxes will be paid in tax anticipation notes rather than cash. If government spending this year is as large as the Administration expects, then deficits will be the order of the day and the raising of new money a paramount problem. With the Federal Reserve strongly committed to a free bond market policy, the Treasury will have to tap real investment money rather than being able to rely on central bank support. Government bonds recovered quickly after the initial shock of the Treasury's announcement. By February 25 the new 2⅜s of 1957-1959 were selling at a ¼ point premium while the bank ineligible 2½s of 1967-1972 have shown a gain of ½ point since February 11 to close at 96¾. With the market displaying strength, the Federal Reserve banks continued to reduce their holdings of governments which stood at $22.4 billion on February 20 against $22.6 billion on February 6. Changes consisted of a $342 million decrease in holdings of certificates and a $127 million increase in government bonds.

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TRADE—Retail stores have been unable to match booming sales figures of a year ago and consumers continue to be very bargain conscious. Demand for apparel subsided in the week ending February 20 while there was some betterment in sales of houshold goods. The introduction of new television models aroused interest although demand was sharply below that of a year ago. Nation-wide department store sales for the week ending February 16 were 6% below results attained in the corresponding week of last year and comparison may continue poor for several weeks as last year's early Easter made for good demand in March.

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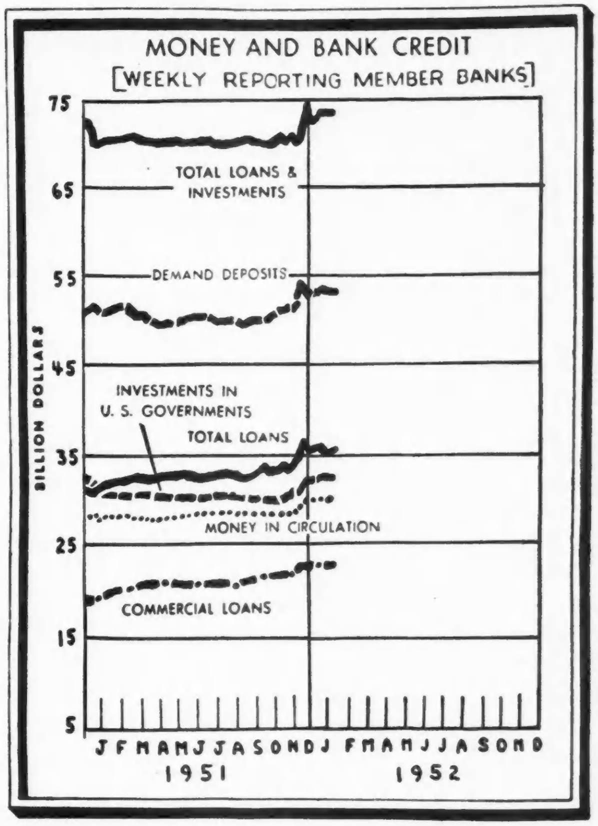

INDUSTRY—Industrial output has been on an even keel so far this year. The MWS Index of Business Activity stood at 183.8 in the week ending February 16 compared with a level of 185.3 two weeks earlier. During the past fortnight production increases were registered in coal mining, crude oil runs and paperboard while electric power output was somewhat lower.

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COMMODITIES—Primary market spot prices as measured by the Bureau of Labor Statistics wholesale price index, declined 0.3% in the week ending February 19 and are now 4.9% below the level of a year ago but still 11.1% above June 1950. Among the items showing more than nominal price declines were cotton yarn, burlap, hemp, wool yarn, raw cotton, fresh fruits, lard, raw sugar and some of the inedible fats and oils. Price increases were reported for onions, butter, cocoa beans and most grains.

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The United States ran up a **FAVORABLE BALANCE OF TRADE** totalling $4,000,000,000 during 1951 as **EXPORTS** amounted to $15,021,500,000, an increase of almost $5,000,-000,000 over 1950 and approaching the record of $15,300,-000,000 set in 1947, the Bureau of the Census reported. U. S.

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Jan.	3.7	3.3	1.7	1.55
Cumulative from mid-1940	Jan.	441.2	437.5	405.6	13.8
FEDERAL GROSS DEBT—$b	Feb. 18	260.1	260.1	256.0	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Feb. 13	53.1	53.5	50.5	26.1
Currency in Circulation	Feb. 20	28.4	28.4	27.2	10.7
BANK DEBITS					
New York City—$b	Feb. 13	9.0	12.9	7.5	4.26
93 Other Centers—$b	Feb. 13	13.8	16.2	11.8	7.60
PERSONAL INCOMES—$b (cd2)	Dec.	257.1	256.5	244.4	102
Salaries and Wages	Dec.	171	171	156	66
Proprietors' Incomes	Dec.	50	49	48	23
Interest and Dividends	Dec.	21	20	25	10
Transfer Payments	Dec.	12	13	12	3
(INCOME FROM AGRICULTURE)	Dec.	23	22	21	10
POPULATION—m (e) (cb)	Jan.	155.7	155.5	153.0	133.8
Non-Institutional, Age 14 & Over	Jan.	109.3	109.2	109.2	101.8
Civilian Labor Force	Jan.	61.8	62.7	61.5	55.6
unemployed	Jan.	2.1	1.7	2.5	3.8
Employed	Jan.	59.7	61.0	59.0	51.8
In Agriculture	Jan.	6.2	6.4	6.0	8.0
Non-Farm	Jan.	53.5	54.6	53.0	43.8
At Work	Jan.	57.5	59.3	57.0	43.2
Weekly Hours	Jan.	41.6	41.9	41.6	42.0
Man-Hours Weekly—b	Jan.	2.39	2.48	2.37	1.82
EMPLOYEES, Non-Farm—m (lb)	Dec.	47.5	46.8	46.6	37.5
Government	Des.	6.9	6.5	6.4	4.8
Factory	Dec.	12.9	12.9	13.1	11.7
Weekly Hours	Dec.	41.2	40.5	41.4	40.4
Hourly Wage (cents)	Dec.	163.5	162.5	154.3	77.3
Weekly Wage ($)	Dec.	67.36	65.81	63.88	21.33
PRICES—Wholesale (lb2)	Feb. 19	174.8	175.4	183.8	92.5
Retail (cdlb)	Dec.	210.8	210.3	202.4	116.2
COST OF LIVING (lb3)	Dec.	189.1	188.6	178.8	100.2
Food	Dec.	232.2	231.4	216.3	113.1
Clothing	Dec.	206.8	207.6	195.5	113.8
Rent	Dec.	139.2	138.9	132.9	107.8
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Dec.	12.3	12.5	12.6	4.7
Durable Goods	Dec.	3.9	4.0	4.6	1.1
Non-Durable Goods	Dec.	8.4	8.5	8.0	3.6
Dep't Store Sales (mrb)	Dec.	0.83	0.85	0.83	0.34
Retail Sales Credit, End Mo. (rb2)	Dec.	12.1	11.6	12.1	5.5
MANUFACTURERS'					
New Orders—$b (cd) Total	Dec.	21.7	22.7	22.9	14.6
Durable Goods	Dec.	10.2	11.1	11.7	7.1
Non-Durable Goods	Dec.	11.5	11.6	11.2	7.5
Shipments—$b (cd)—Total	Dec.	21.4	22.3	21.0	8.3
Durable Goods	Dec.	10.1	10.6	10.0	4.1
Non-Durable Goods	Dec.	11.3	11.7	11.0	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Dec.	70.3	70.0	60.4	28.6
Manufacturers'	Dec.	42.0	41.7	33.3	16.4
Wholesalers'	Dec.	10.0	10.0	9.4	4.1
Retailers'	Dec.	18.3	18.3	17.8	8.1
Dept. Store Stocks (mrb)	Dec.	2.4	2.3	2.4	1.1
BUSINESS ACTIVITY—1—pc	Feb. 16	183.8	183.6	178.4	141.8
(M. W. S.)—1—np	Feb. 16	218.8	218.5	211.3	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 647)

purchases abroad last year were the highest ever at $10,961,600,000, up $2,000,000,000 from the previous high set in 1950. Exports in the month of December were valued at $1,436,100,000 and this figure was topped only once, in May 1944 during peak World War II shipments abroad. December imports amounted to $800,000,000 which was 18% below the average for the first nine months of 1951. The balance of trade in our favor during December exceeded $600,000,000 and was the highest monthly trade surplus in over two years.

* * *

Manufacturers' shipments of **PASSENGER TIRE CASINGS** fell 26.8% last year to 61,811,110 units from 84,422,966 shipped in 1950, the Rubber Manufacturers Association has announced. Production was down by 16.5% to 65,634,104 units last year from 78,598,174 tires produced the year before. Production in the month of December 1951 totalled 4,875,982 units and was greatly in excess of shipments which amounted to 3,309,397 casings. As a result inventories in the hands of manufacturers at the end of last year rose to 6,976,792 units from 5,422,543 a month earlier. Stocks on December 31, 1950, totalled 3,050,301 tire casings.

* * *

NEW HOUSING STARTS showed a contra-seasonal rise in January as 68,000 new homes were begun against 62,000 starts in December. The Bureau of Labor Statistics which gathers the figures thought the rise might reflect builders' efforts to get work under way before the government imposes further curbs on residential construction. Total housing starts in 1951 amounted to 1,090,000 units, the second highest on record and eclipsed only by the 1,396,000 units begun in 1950. Reports to the B.L.S. indicate a 25% rise in the number of building permits issued in January 1952 as compared with the month before. Many of these units will be started in February so that continued strength in building activity can be expected during that month.

* * *

Sales of the **GAS UTILITY INDUSTRY** to ultimate consumers aggregated 5,077 million therms in December, a 10.3% increase over the corresponding month in 1950, according to data of the American Gas Association. Sales of natural gas were 11.3% higher during the period while manufactured and mixed gas sales were 1.7% lower. For the entire year of 1951 sales of gas were 14.5% above the previous year's consumption and totalled 48,-

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1—np (rb)	Dec.	218	219	218	174
Mining	Dec.	164	170	157	133
Durable Goods Mfr.	Dec.	280	277	268	220
Non-Durable Goods Mfr.	Dec.	185	188	197	151
CARLOADINGS—t—Total	Feb. 16	738	734	741	833
Misc. Freight	Feb. 16	376	369	375	379
Mdse. L. C. L.	Feb. 16	78	78	80	156
Grain	Feb. 16	48	50	49	43
ELEC. POWER Output (Kw.H.) m	Feb. 16	7,440	7,456	6,905	3,267
SOFT COAL, Prod. (st) m	Feb. 16	10.5	10.6	10.7	10.8
Cumulative from Jan. 1	Feb. 16	63	52	65	44.6
Stocks, End Mo.	Dec.	76.6	77.9	72.5	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Feb. 16	6.4	6.4	5.9	4.1
Gasoline Stocks	Feb. 16	141	139	135	86
Fuel Oil Stocks	Feb. 16	37	38	40	94
Heating Oil Stocks	Feb. 16	57	60	49	55
LUMBER, Prod.—(bd. ft.) m	Feb. 16	558	541	530	632
Stocks, End Mo. (bd. ft.) b	Dec.	8.1	8.2	6.8	12.6
STEEL INGOT PROD. (st) m	Jan.	9.1	8.9	8.8	7.0
Cumulative from Jan. 1	Jan.	9.1	105.1	8.8	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Feb. 21	222	234	224	94
Cumulative from Jan. 1	Feb. 21	1,820	1,597	2,538	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Feb. 16	170	240	215	165
Cigarettes, Domestic Sales—b	Dec.	24	34	25	17
Do., Cigars—m	Dec.	368	554	375	543
Do., Manufactured Tobacco (lbs)m	Dec.	14	24	13	28

PRESENT POSITION AND OUTLOOK

075 million therms. Natural gas sales in 1951 of 44,667 million therms were 16% above 1950 results and equalled 93% of total gas consumption.

* * *

A drop in consumer demand was the main factor in the decline in manufacturers' sales of major electrical appliances last year while shortages of critical materials also played a part. The extent of the decline was revealed in the report of the National Electrical Manufacturers Association which showed that factory sales of **REFRIGERATORS** totalled 3,797,260 units a decrease of 2,051,319 from the 5,848,579 units sold in 1950. In December of last year 211,442 units were sold compared with 394,269 in the same month of 1950. Factory sales of **ELECTRIC RANGES** declined by 332,873 units to total 1,269,509 last year compared with 1,602,382 sold in 1950. December sales amounted to 73,241 units against 124,360 a year earlier. Sales of **ELECTRIC WATER HEATERS** in 1951 totalled 674,533 units compared with 809,-554 in the previous year.

* * *

FREIGHT CAR PRODUCTION in January amounted to 8,642 units against 8,458 in December. **NEW ORDERS** were received for 5,338 cars in January and **UNFILLED ORDERS** for 120,251 cars were on the books on February 1, 1952.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before terms. edlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1926—100). lb3—Labor Bureau (1935—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

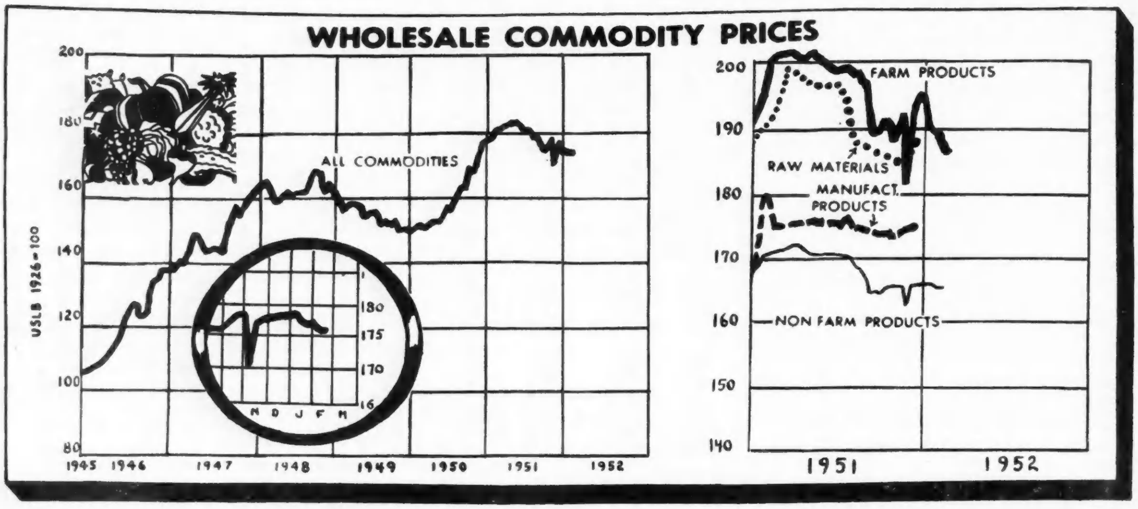
No. of Issues (1925 Cl.—100)	1951-'52 Indexes High	Low	1952 Feb. 16	1952 Feb. 23
330 COMBINED AVERAGE	204.6	172.6	196.3	193.2
4 Agricultural Implements	318.0	246.5	279.7	279.7
10 Aircraft ('27 Cl.—100)	339.1	252.8	304.9	299.0
7 Air Lines ('34 Cl.—100)	803.9	634.0	703.9	688.0
8 Amusements	112.5	86.6	97.4	95.4
10 Automobile Accessories	257.6	216.2	236.8	234.4
11 Automobiles	46.3	36.1	41.0	40.2
3 Baking ('26 Cl.—100)	23.2	21.0	21.8	21.4
3 Business Machines	410.1	300.8	382.4	378.4
2 Bus Lines ('26 Cl.—100)	183.1	150.6	153.6	152.1
6 Chemicals	427.8	326.0	388.0	380.7
3 Coal Mining	18.3	13.2	15.2	16.0
4 Communications	72.5	58.3	66.3	65.0
9 Construction	73.0	60.2	67.5	67.5
7 Containers	490.6	376.5	476.1	457.1
9 Copper & Brass	171.9	126.3	164.6	159.8
2 Dairy Products	85.7	75.9	84.0	83.2
5 Department Stores	84.5	62.7	64.0	62.7Z
6 Drugs & Toilet Articles	235.0	209.4	226.3	219.5
2 Finance Companies	321.7	243.0	321.7	315.4
7 Food Brands	200.9	171.4	176.8	176.8
2 Food Stores	118.4	98.5	100.5	100.5
3 Furnishings	75.0	59.9	61.2	59.9Z
4 Gold Mining	779.8	579.3	654.6	673.5

(Nov. 14, 1936, Cl.—100)	High	Low	1952 Feb. 16	1952 Feb. 23
100 HIGH PRICED STOCKS	124.7	107.1	121.7	119.4
100 LOW PRICED STOCKS	252.9	208.6	237.7	234.3
5 Investment Trusts	103.8	84.8	98.9	97.9
3 Liquor ('27 Cl.—100)	1250.1	1022.8	1022.8	1022.8
11 Machinery	219.8	177.7	208.3	204.1
3 Mail Order	152.0	122.8	125.4	122.8Z
3 Meat Packing	109.1	85.7	96.1	96.1
13 Metals, Miscellaneous	314.8	233.0	295.8	287.0
4 Paper	443.7	344.3	435.7	419.5
28 Petroleum	476.4	355.0	454.8	441.8
30 Public Utilities	165.9	142.5	165.9	164.3
9 Radio & TV ('27 Cl.—100)	33.3	26.6	33.3	32.7
8 Railroad Equipment	73.8	57.5	61.1	59.9
24 Railroads	45.4	34.2	41.7	41.3
3 Realty	41.0	34.3	39.7	39.3
3 Shipbuilding	189.9	139.1	182.6	184.4
3 Soft Drinks	395.5	301.2	307.5	301.2Z
14 Steel & Iron	169.5	134.1	145.8	144.3
3 Sugar	77.6	66.5	68.2	67.5
2 Sulphur	655.3	425.3	574.1	658.7
5 Textiles	223.6	175.9	181.7	175.9Z
3 Tires & Rubber	75.3	51.2	69.7	69.7
6 Tobacco	86.7	75.3	83.4	82.6
2 Variety Stores	325.6	301.1	307.2	304.1
18 Unclassified ('49 Cl.—100)	127.3	109.4	118.6	116.2

Z—New Low for 1951-'52.

Trend of Commodities

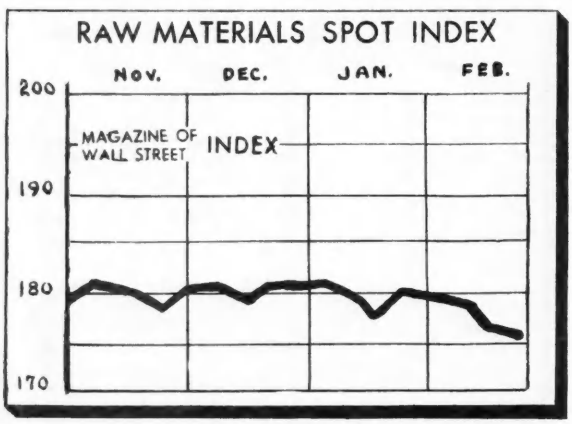
Commodity futures continued to head for lower levels during the past two weeks although the pace of the decline showed signs of slackening. The Dow-Jones Futures Index closed at 181.69 on February 25 against a close of 183.70 on February 11. In the case of grains and soybeans, the near months all showed losses during the fortnight while more distant options were firm. Fats, oils and wooltops all were lower while cotton and cocoa advanced. Wheat futures were relatively steady during the past two weeks. While the March future lost 1¼ cents during the period the December option gained ½ cent. Present prospects are for the domestic wheat supply to aggregate 1,423 million bushels while total demand is calculated at 1,130 million bushels leaving a July 1, 1952 carry-over of 293 million bushels. With 298 million bushels of wheat either owned by the CCC or under government loan at the end of 1951, it is evident that government controlled wheat will have to return to commercial channels to prevent a serious shortage. Repossessions of loan wheat could occur if the price were to rise to a point where such action proved profitable. Cotton prices turned strong during the period under review and the nearby March future closed at 41.12 on February 25, a gain of almost one cent in two weeks time. Most traders had expected large tenders of cotton against the March option but with the first notice day—February 25—bringing only 66 notices of tender, prices rallied strongly with the March gaining ½ cent on the day. Fundamentals continue unchanged as the textile industry remains stagnant and there are few indications of any sizeable decline in the 1952 crop. Lard futures lost 1 to 1½ cents since February 11 as supplies contined to mount and demand remained low.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—August, 1939, equals 100

	Date Feb. 25	2 Wks. Ago	3 Mos. Ago	1 Year Ago	Dec. 6 1941
28 Basic Commodities	310.4	316.0	326.6	389.4	156.9
11 Imported Commodities	311.7	321.9	330.7	431.6	157.3
17 Domestic Commodities	309.7	312.2	323.9	364.4	156.6

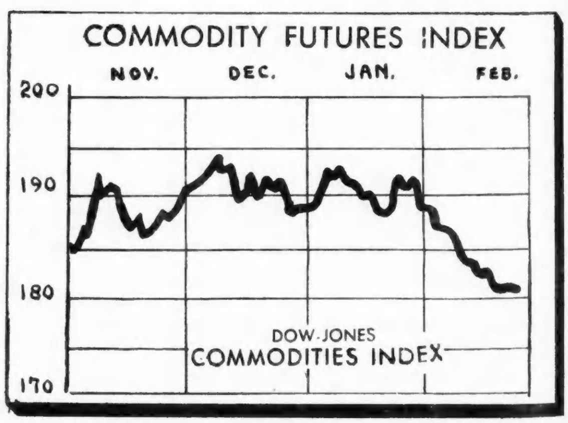
	Date Feb. 25	2 Wks. Ago	3 Mos. Ago	1 Year Ago	Dec. 6 1941
7 Domestic Agriculture	345.6	344.3	357.6	416.2	163.9
12 Foodstuffs	364.3	361.6	361.3	405.1	169.2
16 Raw Materials	302.1	304.2	316.5	377.3	148.2



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1951	1950	1947	1945	1941	1939	1938	1937
High	214.5	304.7	164.0	95.8	74.3	78.3	65.8	93.8
Low	174.8	134.2	126.4	83.6	58.7	61.6	57.5	64.7



Average 1924-26 equals 100

	1951	1950	1947	1945	1941	1939	1938	1937
High	215.4	202.8	184.4	111.7	88.9	67.9	57.7	86.6
Low	176.4	140.8	123.0	98.6	58.2	48.9	47.3	54.6

Keeping Abreast of Industrial and Company News

General Electric Co. has announced a new line of fractional horsepower motors embodying an entirely new concept of motor design and manufacture. The new motors are the result of nearly a decade of development engineering and research, and incorporate many radically different and advanced design features. The motor weighs as much as 51% less per horsepower than the models it replaces and is considerably smaller in size. At the same time, its versatility of application has been broadened and its appearance modernized.

Jones & Laughlin Steel Corp. pursuing its policy of new developments in technological processes, has constructed a new controlled atmosphere furnace which facilitates production of carbon-restored bars, making possible the attainment of heat-treated hardness without the necessity of removing a decarburized skin. This big furnace is the first of its kind to be designed specifically for carbon restoration. It will also perform other thermal treatments—annealing, bright annealing, spheroidizing and normalizing. The new furnace enables the company to maintain its position of leadership in the production of fine high-quality cold-finished steels.

United States Rubber Co. has announced the first commercial production of a low-cost plastic automobile body. This is a joint operation between the Glasspar Co. of Calif. and the Naugatuck Chemical Division of U. S. Rubber. The body, which is dent-proof and rust-proof, is constructed of Vibrin polyester plastic and layers of glass fibre, a combination which, for its weight, is stronger than steel.

American Can Co. is installing at its Portland can-making plant the first complete paper milk container manufacturing operation in Oregon. The containers to be made at the plant will go to dairies for retail milk distribution in Oregon, Washington and Idaho. When in full operation, the plant will have a rated capacity of 200 million paper milk containers annually in various sizes. Modern high-speed machinery is being installed, and the new equipment includes presses for printing customer labels on container paperboard. Other equipment will handle the paraffin used in coating the milk containers.

B. F. Goodrich Co. has adopted a radioactive "eye" to help put more mileage into the average tire. The device, which uses stronium 90, a by-product of the government's Oak Ridge, Tenn. atomic plant as a source of its radioactivity, enables Goodrich engineers to control accurately the rubber coating of fabrics to within one millionth of an inch. The engineers believe that the resulting uniformity in the tire fabric will help greatly to prolong the life and mileage of tires.

Kaiser Aluminum & Chemical Corp. has announced that it will open up a new industry in Nevada by building a mill to process fluorspar, a critical mineral necessary for the production of aluminum metal. Kaiser will build the mill in an area accessible to rail and highway transportation, establishing a close market for ore from smaller deposits in the state and promoting the opening of mines hitherto uneconomical to operate.

Freeport Sulphur Co. has announced the development of a new process which makes possible the use of immense quantities of brackish or sea water for mining sulphur in tidewater areas. This means that, for the first time, the defense-mineral can now be extracted from underground salt domes at locations where fresh water is not available and the cost of piping it from distant sources would be prohibitive. The unique process, developed in eight years of laboratory experiment and pilot plant operation, solves the problems of corrosion and scale which heretofore made impossible the use of water having a high salt content. It is expected to stimulate greater interest in prospecting for marshland brimstone and to facilitate the future development of salt domes in the Louisiana and Texas tidelands.

The White Motor Co. has announced that it had been awarded two defense production contracts estimated at $20 million and that work on both has started at the Cleveland plant. This new production, it is said, will not interfere with production of busses as production facilities are being arranged to enable bus production to continue without interruption. Also on contract, is one with the Western Electric Co. to construct bodies for a fire-control trailer in use by the Army Ordnance Corps. The body construction will be of "air plane" construction using light metals.

Apparently reflecting confidence in the outlook for the radio industry, **Motorola, Inc.** has presented three entirely new lines of home, automobile and portable radios. Of interest is the president's statement that "the outlook for car radio sales in 1952 is excellent. Not only is there still a large backlog of cars produced in recent years which lack radios, but also demand is high as a result of increased buying in the used-car field arising from cutbacks in the production of new cars."

The International division of **Radio Corp. of America** has announced that one of the foremost newspapers of Latin America—"El Mundo" of Havana, Cuba—has completed plans for participation in the building and operation of a powerful television station in the Cuban capital, with microwave relays extending TV program service to three additional provinces on the island. This is believed to be the

first microwave system for television scheduled for operation outside of the United States. The new station, designed and equipped throughout by RCA, is now under construction.

Heyden Chemical Corp. has announced production of nemoycin, the antibiotic that has proved effective in treating infections of the skin, eyes, ears, nose and gastro-intestinal tract. This antibiotic is now being produced in commercial quantities. Heyden will offer nemoycin to ethical pharmaceutical manufacturers and will market the new antibiotic under the Heyden label for export.

Directors of the **New York Central Railroad Co.** and seven wholly-owned subsidiaries have voted to merge their properties. Approval of the stockholders of Central and subsidiaries will be sought at meetings in May and June. Approval of the Interstate Commerce Commission is also required. The merger would help bring further simplification of Central's corporate structure. Substantially all the mileage of the companies to be merged, aggregating about 1248 miles, is now under lease by the Central system and there would be no material change in physical operations. The seven companies are: West Shore R.R. Co., N. J. Junction R.R. Co., N. Y. & Fort Lee R.R. Co., Walkill Valley R.R. Co., Toledo & Ohio Central R.R. Co, the Lake Erie Alliance & Wheeling R.R. Co. and the Federal Valley R.R. Co.

General American Transportation Corp. announced its purchase of the tank car fleet of Union Oil Co. of California. The fleet of 600 cars of various sizes and types will be operated by General American under lease to Union Oil.

Florida Power & Light Company announced one of the largest new construction programs to be undertaken by a Florida public utility. Plant expansion by the company over the next ten years will amount to $332 million to keep pace with Florida's fast growing population. As an initial step, the utility's board of directors approved a $22.1 million new construction expenditure for 1952. The estimate for 1953 is $27.8 million or a total of nearly $50 million for the two years. The $332 million projected outlay will include construction of ten major generating power stations in north and south Florida on both the east and west coasts. The ten-year engineering outlook calls for virtually tripling the company's present electrical output, increasing the system's capacity from 503,000 kilowatts to 1,405,000 kilowatts.

Lederle Laboratories, a division of **American Cyanamid Company** has announced that a new and more efficient process for making Hydrocortisone, known as "Compound F" has been developed. Compound F has only recently been studied, but from results so far, scientists think it may prove as or even more important than Cortisone in the treatment of arthritis and rheumatic diseases. **Merck & Co.,** which makes synthetic Cortisone recently announced a method for making Compound F synthetically obtaining a yield of 8%. The Lederle group tackled the problem of making the Compound F synthetically from Cortisone itself and devised a simple method giving a yield of 20%. Scientists first thought Cortisone was the principal hormone of the mysterious and powerful adrenal cortex. They now believe that Compound F is the principal one and will therefore prove more important medically.

Mathieson Chemical Corp.'s new petroleum chemicals plant at Doe Run, Ky. has started production and is expected to be running at capacity in a short time. It is expected to contribute substantial added earnings to the company within the next month and to increase annual sales by about $20 million. Ethylene oxide a widely used chemical raw material, and ethylene glycol, used as an anti-freeze for explosives and for making other chemicals, are being produced from natural gas. Production of liquified petroleum gases started last November and is now at capacity. Iso-butane, which goes into making high octane aviation gasoline is also being produced.

Ferro Corp. announced formation of a ceramic arts supplies division to retail a complete line of ceramic art supplies. The new division will permit Ferro to offer ceramic art supplies to hobbyists, schools, and other institutions and hobby shops through a retail and mail order outlet. Headquarters of the new division is in Bedford, Ohio where a combination office-retail store has been set up. Mail orders, expected to account for the bulk of the division's sales, will be handled through this office.

Construction was begun in February of the plant which the **Davison Chemical Corp.** will build ten miles south of Lake Charleston the Calcasieu River in Louisiana. To cost more than $7 million, the plant will produce catalyst on a large scale for the petroleum-cracking refineries of the Gulf Coast area, and other chemicals needed by the industries of the region.

Twin Coach Co., motor coach manufacturer, has announced that it is offering a complete line of 90 to 250 h.p. engines for sale to all bus manufacturers. This marks a radical departure from former practices as the company previously built Fageol and Fageol-Leyland engines for use only in its own motor coaches. The Fageol gasoline engine, introduced in 1946, is reputed to be the first modern high compression engine designed expressly for motor coach use.

Mack Trucks, Inc. has recently made an agreement with the new state of Israel for the assembly of Mack trucks in that country. Mack parts and service depots will be set up in three of the larger cities. It is anticipated that Israel will make similar arrangements with other American manufacturers. From a transportation standpoint, the new nation is in a strategic position as highways leading from Israel can radiate into other middle East countries.

Telautograph Corporation announced the availability of a really new communications instrument for business and industry. The new instrument—the Tel Autograph 'Instan-Form' telescriber—combines business forms with the known principles of telescriber (handwritten) communication. Business forms filled in on a transmitting 'Instan-Form telescriber are reproduced immediately (on a similar form at one or many remotely located telescribers. In brief—the 'Instan-Form' is written and delivered simultaneously. 'Instan-Form' telescribers will find widespread use in industry for control of quality and production, etc. Varied uses in general business will be for requisitioning, inventory control, warehousing, shipping, etc.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

American Woolen Company

"Your review of American Woolen Company in the past has indicated that the woolen business is a 'feast or famine' business. I have wondered what the impact of the defense program has been on American Woolen Company's operations in the past year. Any information you can give me in regard to the company will be appreciated."

B. D., Tulsa, Oklahoma

American Woolen Company for the year ended December 31, 1951 showed net sales of $253,333,650 against $150,124,090 in 1950, and net profit from operations, after all charges, provision for Federal income taxes and after adjustment of Federal income tax provision for prior years, of $10,057,412 against $5,309,632 for 1950. After preferred dividends the profit for 1951 was equal to $9.29 per share on the common stock outstanding compared with $4.39 per share for the preciding year.

The company entered 1951 with large government contracts for military fabrics, and during the early months of the year was awarded additional contracts. For the most part, these fabrics were made in company's woolen mills, which operated at capacity throughout the year and accounted for most of the sales and nearly all of the profits. Without these government contracts 1951 would have been a most unsatisfactory year from the earnings standpoint.

The demand for civilian fabrics was so extremely limited that the company's worsted mills as a whole operated at an unreasonably low profit during the entire year. Four of these mills have been closed down for lack of orders at the end of the year.

Unfilled orders on hand December 31, 1951 amounted to approximately $50,400,000 compared with $55,100,000 the end of 1950.

After government stockpiling of wool and buying of military fabrics had sent the price of the basic raw material to the highest figure in history in March, the price of wool started down as abruptly as it had gone up, and the year 1951 ended with prices approximately 50% under the peak. As a result of this price decline the company at the end of 1951 inventory losses of $3,848,333 on the basis of market values which were lower than costs.

The added volume of government orders, the high price of wool and increased costs of manufacturing led to bank borrowing that by June 30, 1951 had reached a peak of $151,750,000. These had been reduced to $28,500,000 as of December 31, 1951 and to $19,500,000 at February 1, 1952.

Inventories of merchandise, materials and supplies at December 31, priced at cost or market, whichever is lower, totalled $73,642,471 against $70,897,182 at the end of 1950.

Net current assets at the end of 1951 were $65,331,516 against $61,305,198 at the close of 1950.

Dividends including extras totalled $6.00 per share in 1951 against $1.00 in 1950.

American Woolen Company directors decided on February 20 to take no action on a common dividend usually due at this time.

Continental Can Company

"Please give me your recommendation as to holding or selling Continental Can Company."

S. C., Dover, Delaware

Continental Can Company reported consolidated net income of $15,210,720 and sales of $460,595,487, both records for the second year in succession, in a preliminary 1951 statement released recently.

After dividends on the outstanding preferred issues, consolidated net income was equivalent to $4.61 a share on 3,163,246 shares of common stock outstanding. This compares with net income in 1950 of $14,873,172 or $4.52 a share, after preferred dividends, on 3,160,101 common shares.

Net income of $33,985,720 before taxes on income was 7.4% on 1951 sales, compared with $26,198,172 or 6.6% in 1950.

Income taxes of $18,775,000, the highest in the company's history, reduced net income after such taxes to 3.3% on 1951 sales, which were slightly lower than that of 1950. Sales and operating revenues for the year were $460,595,487, as compared with $397,863,767 in 1950, an increase of slightly more than 15%, of which about two thirds was due to price increases.

The balance sheet as of December 31, 1951 showed current assets of $146,336,198 and current liabilities of $48,328,735, leaving working capital of $98,007,463, an increase of $27,765,672 over 1950. Additions to property, plant and equipment totalled $17,902,938 during 1951, after deducting approximately $7,500,000 for sale and retirements of fixed assets.

Dividends last year totalled

$2.00 per share and 50 cents was declared in the first quarter of the current year.

As this is a good grade industrial security, with moderate growth prospects and outlook for the current year continues favorable, we recommend retention.

Pennsylvania Salt Manufacturing Company

"Your publication has indicated that Pennsalt Manufacturing Company is a growth company. I therefore would like to receive late earnings figures on the company, sales volume and dividend payments."

W. A., Chester, Pa.

The Pennsylvania Salt Manufacturing Company reported consolidated net sales for the twelve months ended December 31, 1951 of $47,554,688. These sales, subject to final audit, are the highest in the company's history and 19% higher than 1950.

Operating earnings before taxes for 1951 were $10,173,047, also the highest on record and an increase of 24½% over the preceding year. Net earnings after taxes, subject to final audit, were $3,527,334, 10.83% below corresponding figures for 1950 and equivalent to $3.28 per share.

Earnings for the fourth quarter ended December 31, 1951 were $378,205, equivalent to 35 cents per share on the 1,074,391 shares outstanding at the end of the year. This compares with earnings of $869,261 for the fourth quarter of 1950, or 87 cents per share on the 999,121 shares outstanding at that time. The increase in the number of shares results from the acquisition of Sharples Chemicals, Inc. through an exchange of stock which became effective during the latter part of December.

Sales and earnings from the Sharples acquisition are not included in this statement of Pennsalt results.

Fourth quarter earnings were computed after charging taxes in accordance with the new tax bill and also after providing retroactively at the new rate for taxes on earnings of previous quarters. Dividends including extras totalled $2.00 a share in 1951 against $2..25 in 1950.

Kroger Company

"I have been a subscriber to your publication since 1929 and have recently renewed for another two years. I would appreciate receiving comparative earnings of Kroger Corporation for the last 2 years and also working capital position."

N. O., Springfield, Ill.

Net operating income for 1951 of $9,112,940 or $2.48 per share after taxes was shown by the Kroger Company. This was equivalent to nine tenths of a cent per sales dollar compared with one and a half cents per sales dollar in 1950.

In 1950 Kroger's net income, all from operations, was $13,087,542 or $3.56 per share. While 1951 operating profit was lower, a non-operating profit of $3,545,000 was created through the sale lease of Kroger's Cincinnati factory. This non-recurring profit, added to the company's operating earnings, resulted in a total net income of $12,657,904 or $3.45 per share. Dividends totalling $1.85 were paid in 1951.

Sales for 1951 totalled $997,086,223, an all-time high for the company and an increase of $135,843,581 or 16% over 1950. Despite record sales in 1951, Kroger net operating income was adversely affected by price controls, higher operating costs and higher federal taxes.

In October the company borrowed $14 million at 3.1% interest and repayable over 20 years. This money plus $5 million received from sale of the Cincinnati factory was used to expand working capital and provide for capital expenditures.

Cash on hand at the year-end was $30,128,288 and net working capital was $61,528,850. At the end of 1950 cash on hand was $25,869,452 and net working capital was $49,918,283.

Total inventories were $79,170,757 at the end of 1951 compared with $72,423,385 the year before.

Kroger opened 183 new, relocated or remodeled stores in 1951 and 78 more were in process of construction at the end of the year. Federal restriction on new store construction is expected to limit the company's program in 1952.

Capital expenditures in 1951 totalled $18,590,905, including $11,020,703 for store equipment and leasehold improvements, $4,819,607 for warehouse and warehouse equipment, $1,347,647 for transportation equipment, $1,206,332 for manufacturing equipment and $196,616 for all other purposes. This compares with a total of $15,379,922 in capital expenditures in 1950.

At the end of 1951 there were 1978 Kroger stores in operation in 19 states, a decrease of 76 from the end of 1950.

The company estimates 1952 sales should total well over $1 billion but expect costs of doing business will rise, especially wages and taxes but steps are being taken to reduce operating expenses wherever possible.

Granite City Steel Company

"Please report production figures of Granite City Steel Company in 1951 and net income, also dividend payments."

H. A., Dallas, Texas

Ingot production in 1951 of Granite City Steel Company totalled 747,000 net tons, an increase of 10% over 1950 and 53% over the World War II peak year of 1944.

Sales in 1951 were at the all-time high of $86,600,000 and profits before taxes of $13,100,000. Federal taxes amounted to $8 million, leaving a net profit after taxes of $5,142,000. This was below the net profit after taxes of $5,727,000 for 1950, as a result of the substantial increase in taxes in 1951. Profit before Federal taxes in 1950 amounted to $11,100,000, Federal taxes being $5,400,000.

Net profit for 1951 was equivalent to $4.02 per share on the 1,278,462 shares of common stock outstanding at the year's end. Comparable per share earnings of 1950 were $4.48.

Common stock dividends in 1951 were equivalent to $2.20 per share, after giving effect to the two-for-one split of shares in March of 1951. Net quarterly dividend of 55 cents per share is payable on March 15 to common shareholders.

The Board also recently declared a $1.4514 per share quarterly dividend on the company's new 5½% convertible preferred stock, payable March 15, 1952, to stockholders of record February 21, 1952. This is the first dividend to be paid on this new stock and is cumulative from December 10, 1951.

The company's shipments to customers in 1951 totalled 821,000 net tons. This included 646,000 net tons of steel products and 175,000 net tons of pig iron. During 1951 the company's status change dfrom a semi-integrated to an integrated steel company

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UNION CARBIDE
AND CARBON CORPORATION

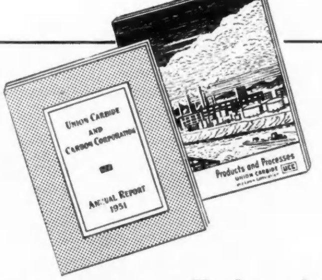
1951 Annual Report Summary*

CONDENSED INCOME STATEMENT

	1951	1950
Sales	$927,519,805	$758,253,539
Total Income	942,612,195	770,622,957
Net Income Before Income and Excess Profits Taxes	268,386,065	237,805,540
Income and Excess Profits Taxes	164,496,354	113,693,689
Net Income	103,889,711	124,111,851
Net Income per Share	3.60	4.30
Dividends Paid	72,015,860	72,015,860

CONDENSED BALANCE SHEET

	1951	1950
Assets		
Total Current Assets	$469,951,529	$429,478,513
Fixed Assets After Accumulated Depreciation and Amortization	478,052,028	409,068,982
Investments in Affiliates and Foreign Subsidiaries	24,886,567	25,071,239
Deferred Charges	5,205,493	5,556,024
Patents, Trade-Marks, and Goodwill	1	1
	$978,095,618	$869,174,759
Liabilities		
Total Current Liabilities	$237,369,842	$177,945,582
2.70% Promissory Notes	150,000,000	150,000,000
Reserve for Contingencies	6,381,098	6,381,098
Capital Stock—		
28,157,019 shares (28,069,719 shares in 1950)	204,368,035	201,232,021
649,325 shares (736,625 shares in 1950) held by the Corporation as collateral under the Stock Purchase Plan for Employees	22,952,913	26,088,927
28,806,344 shares	227,320,948	227,320,948
Less present amount of Agreements under the Stock Purchase Plan for Employees	22,732,623	25,819,827
	204,588,325	201,501,121
Earned Surplus	379,756,353	333,346,958
	$978,095,618	$869,174,759



*Copies of the complete 1951 Annual Report of Union Carbide and Carbon Corporation will be gladly furnished on request. Included with the report is an illustrated booklet that describes the Corporation's products—Alloys, Chemicals, Carbons, Gases, and Plastics—and cites a number of recent research developments. For copies of the report and booklet, please write to the Secretary, Union Carbide and Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

Trade-marked Products of Divisions and Subsidiaries include

BAKELITE, KRENE, and VINYLITE Plastics • LINDE Oxygen • PREST-O-LITE Acetylene • PYROFAX Gas
NATIONAL Carbons • EVEREADY Flashlights and Batteries • ACHESON Electrodes • PRESTONE and TREK Anti-Freezes
ELECTROMET Alloys and Metals • HAYNES STELLITE Alloys • SYNTHETIC ORGANIC CHEMICALS

The Growing Japanese-German Competition in World Markets

(*Continued from page* 633)

one-half of Japanese exports—Hongkong, Siam, Malaya, India and Pakistan. Japan has a particularly tight grip on the Pakistan market where she has been aided by Pakistan's trade war with India.

Japanese exports of industrial chemicals, whale oil, glassware and chinaware are also doing well but the big item is textile lines. Up to the summer of 1951, Japanese exports of woolens and especially of rayon goods were doing extremely well. Japan had a tighter hold on the textile markets of Southeastern Asia (outside of India) than ever and was expanding her sales in Australia and even such markets as British East and West Africa, to the great concern of the Lancashire mills. She was again the world's largest exporter of textiles which is something to say, considering that China and Manchuria were more or less closed to her and silk goods exports were considerably lower than prewar.

This situation has now changed. Because of worldwide slack in the textile business, there were wholesale cancellations of export orders, particularly those from the dollar area. In addition, the Japanese Government has been discouraging exports to the sterling area due to a heavy accumulation of sterling in the amount of over £90 million last fall. As a result of all this, textile concerns in Japan find themselves in a serious situation.

Some dislocation in international markets due to the comeback of Germany and Japan is probably unavoidable. But so far "cut-throat" competition has not been anywhere as deadly as the Lancashire and other quarters (Norwegian whaling interests, for example) would have us believe. On the contrary, the ability of Germany and Japan to step in and supply industrial consumer goods and certain capital goods at a time when the West has to set aside an additional capacity for rearmament purposes has been of real service.

At the same time both Germany and Japan have been able to raise the standard of living of their populations without relying on outside aid. Thus apart from becoming consumers of the world surpluses of cotton, wool, fertilizer, cereals and other raw materials and foodstuffs, they have been able to consolidate themselves politically with the result that the internal threat of communism is less than ever.

As has been pointed out, it is unlikely that the German and Japanese "export" offensives will continue at the pace of the last few years. Those were exceptional years, and the circumstances have changed. The slack in unused industrial capacity and unemployed labor force is considerably less than it was one year ago. There are bottlenecks in raw materials, particularly in coal and coke, in both countries. Costs have been rising though perhaps not as much as in Great Britain or France.

British and French import restrictions have to be coped with, while the decline of raw material prices has reduced the purchasing power of Southeast Asia and some of the Latin American countries. On the other hand, the other industrial nations of the West must realize that they are facing able and hard-working competitors. The fitting of German and Japanese trade into the world picture has been unavoidable and the more international trade expands, the less dislocation is likely to be felt the world over.

Dividend Increases and Casualties in 1952

(*Continued from page* 635)

manding unusual investor confidence.

In the automobile and steel groups, yields have increased to over 8% for a number of even the largest companies. Even in the prosperous chemical and oil groups, yields are creeping up though they are still much lower, on the average, than for most other groups. The chemical companies are harassed by high taxes which are preventing higher dividends despite enormous sales and pre-tax profits. The oils, on the other hand, are still favored by a great volume of business and a sheltered tax position.

The accompanying tables list all of the important increases or decreases in dividends since the beginning of the year. They reveal that, among the decreases, the impact of sustained poor earnings has made itself felt in the carpet, food, and textile groups principally. These companies have felt the pressure of low earnings for such a long period that they have finally been forced to cut or omit their dividends.

Among the companies which have raised their dividend rates, as might be expected, the public utility and oil groups were dominant. Heavy machinery companies were also well represented along with a sprinkling of air-conditioning, oil equipment and paper companies.

As indicated in our table, increases in dividends were on a moderate scale, averaging about 25%. Exceptions were: Electric Boat with a 100% increase, General Tire—100% and West Indies Sugar—50%. On the other hand, the decreases were quite sharp, with six of the 14 companies listed omitting their dividends entirely. With this as a general background of the dividend situation thus far in 1952, it is appropriate to discuss the dividend circumstances of several of the more prominent companies listed.

Ingersoll-Rand Co. recently raised its quarterly dividend payments from $1 a share to $1.25, thereby placing the stock on a straight $5 annual basis. Last year, it paid $6 a share, including extras, and the year before, $5.75. Earnings in 1951 are estimated at about $9 to $9.25 a share. If the higher figure was reached, it will be exactly equivalent to 1950 earnings.

The company, which is outstanding in the field of heavy machinery, has developed solid earning power going back for many years. Since World War II, earnings have never fallen below $7.40 a share and have been as high as $16.07 a share. Ingersoll-Rand derives a large share of its business from industries which are extremely active, such as oil, mining, construction and others.

With its very strong financial position and only 25,000 shares of preferred stock ahead of the common, the company is in a position to maintain its liberal dividend policy, particularly in view of its long record of large earnings. Cash and government bonds alone

(*Please turn to page* 658)

Dividend Increases and Casualties in 1952

(*Continued from page* 656)

amount to about $40 million (1950 figures). Total working capital probably now stands at over $70 million against about $35 million at the end of World War II. One of the outstanding characteristics of this company is the comparatively small property account of about $6 million, a very low valuation considering the large amount of business done year in and year out, with sales above $100 million annually in the past few years.

The stock was split two-for-one in 1948. At present price of about 81, the yield is 7.4%, based on 1951 dividends.

Long Island Lighting Co. raised its quarterly dividend rate from 20 cents a share to 22½ cents a share, placing it on a 90-cent basis compared with the previous rate of 80 cents. Earnings were $1.18 a share in 1951, approximately the same as in the previous year. In 1951, however, there were one million more shares outstanding than in 1950. Since 1944, revenues have been steadily increasing, and were about $31 million in 1950; and, although 1951 figures have not been published as yet, were undoubtedly considerably higher last year. The growth of the company can best be appreciated by a comparison of K.w.h. sales in the past few years. In 1944, they were 128 million and in 1950 448 million.

Long Island Lighting serves one of the most rapidly growing metropolitan sections in New York, with a population of well over one million. Residential users form the bulk of customers and the rapid development of new suburban areas in the company's territory has had a very stimulating effect. In reflection of this situation, plant expansion has been on a large scale, having amounted to $79 million in the five years ended 1950. Considerable benefits are expected from the company's 20-year contract for the supply of 35 million cubic feet of natural gas with the Transcontinental Pipe Line. With about $86 million in bonds outstanding, the debt ratio is fairly heavy but this is being steadily overcome through the accretion of new revenues from the expanding business.

The stock is currently selling at slightly under 15 with a yield of 4% on the 1951 dividends of 60 cents a share. On the current 90-cent annual rate, the yield would be 6%. The current dividend is rather liberal in relation to earnings, but clear indications of further improvements in earnings would seem to offer a reasonable assurance.

Bigelow-Sanford Carpet Co. the largest concern in its field, has been compelled to reduce its quarterly payments from 40 cents a share to 25 cents on account of the poor operating conditions in this industry during the past year. The company actually incurred a very large deficit, amounting to $2.66 a share compared with a profit of $6.09 a share in the year previous. This is the first time in the past five years that such a poor showing was made, and it was due to the sharp fall in consumer demand and top-heavy inventories.

The present dividend seems doubtful unless there is an early improvement in earnings this year. A favorable factor is that the company acquired low-priced raw wool inventories in the first quarter of 1951. Carpet rayons were also acquired at advantageous prices. However, the company had to undertake financing on a fairly large scale last year, and unless the profit picture changes quickly, the present $1 rate, annually, would not appear too secure. The company, of course, is outstanding in its field and, outside of 1951, has had an established earning power which presumably will be restored at some future time.

At current price of about 16, the yield is 6% on the basis of the new dividend.

Canada Dry Ginger Ale, Inc. has reduced its quarterly dividend rate from 20 cents to 12½ cents a share. This is part of a series of dividend reductions which brought payments down from 95 cents a share in 1950 to 80 cents in 1951. On the basis of the new quarterly rate, 1952 dividends will total 50 cents a share. An increase of about $7 million in sales in 1951 to $61.4 million was offset by a rise in costs and taxes, bringing per share earnings down to $1.03 a share from $1.56. The de-

cline in earnings, obviously, was sufficient in the judgment of the directors to justify the reduction in dividends.

As to the future, it is difficult to say at this time. The continued growth of sales is an encouraging feature, especially since gains have been continuous in each year during the past decade. Furthermore, the products of the company are diversified, offering a fairly balanced structure. Finances are adequate but the $5 million promissary note to the Prudential Life Insurance Co., contains a dividend restrictive feature which conceivably might become operative if the profits situation should deteriorate further. For the present, however, the current rate seems reasonably secure. At present price of about 10, the yield on the new basis is 5%.

American Woolen Co. unexpectedly passed its common dividend, after having paid $6 a share last year, including a year-end extra of $3. Omission of the dividend was a surprise as net earnings were over $10 million or $9.22 a share. However, the slump in business during the last half year changed the actual earnings position from good to poor. Furthermore, the management may have had in mind the severe labor problems which it is now facing, with the possibility of a strike.

Investment Audit of Eastman Kodak

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the company's impressive progress since the war in developing raw materials resources and in modernizing manufacturing operations, it seems reasonable to suppose that the time may be approaching for diverting larger sums of cash to payment of dividends.

Potentialities for enlargement of film sales in the amusement field appear promising—especially if a great many more television stations are to be constructed and and if programs eventually are presented in greater numbers by means of filmed recording. Recognized authorities foresee the time when major programs will be filmed in advance and presented

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Investment Audit of Eastman Kodak

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on individual TV stations at designated times to appeal to the greatest number of viewers. This trend may mean the use of larger quantities of films.

Television by the same token may present a threat to picture production. Competition from home entertainment has reduced attendance at theatres and undoubtedly has helped to explain a pronounced decline in box office receipts. A number of theatres have been compelled to close. This situation has roused anxiety in Hollywood and has caused a reexamination of policies. The result may be curtailment of second grade pictures and abandonment of "double feature" programs. A more cautious policy in production would mean reduced demand for film in production of motion pictures.

On the other hand, demand for televised presentations is growing. Use of filmed commercials is becoming increasingly important, while more and more dramatic presentations are being offered on television by means of filmed recordings. Several of the smaller motion picture companies have turned to production of short "western" and comedies created especially for television. As costs of "live" shows gradually rise and as more daytime programs are provided on smaller stations, it would be logical to expect this form of entertainment to take up any slack in consumption of films that may result from a cutback in pictures of the ordinary type shown in theatres.

The fact that Eastman's Tennessee Corporation probably is well qualified to go into new synthetic fibres such as Orlon and similar substitutes for wool suggests that interesting progress may develop along these lines to contribute to future growth. The younger generation coming to a picture-taking age in the next four or five years should prove an important source for expansion of sales in photographic materials.

In short, with an aggressive research and sales organization providing the incentive, Eastman's business may be expected to keep pace with the country's economic progress. As a matter of fact, over the first half of the century, Eastman's growth rate has surpassed that of the country as a whole.

The company has a simple capitalization consisting of 61,657 shares of non-callable 6 per cent preferred stock of $100 par value, much of which has been held for many years in and around Rochester, N. Y., where the company was founded; and 16,537,000 common shares of $10 par value. Common stock capitalization was increased with the 10 per cent stock dividend in January. There is no funded debt.

The excess profits tax imposes a heavy burden, as it does with many concerns, and it is estimated that the effective tax rate for 1951 may have been close to the maximum provided by law. Earnings in excess of about $3 a share probably are subject to EPT levies, it is estimated. Thus while heavy tax burdens prevail, the company may encounter difficulty in improving its showing over recent years. The stock should have appeal for investors looking for future capital gains. Current yield is a little over 4%, on basis of last year's cash dividends.

Reappraisal of Meat Packers

(*Continued from page* 643)

dollar volume in its history—sales of $2,524 million—but net income was the smallest since 1940 and the earnings ratio of half a cent on each dollar of sales was the poorest since 1920 with the exception of three years in which inventory losses caused unprofitable operations, namely, 1938, 1932 and 1921. Net profit dropped to $2.04 a share from $2.73 in 1950 and $4.36 in 1949.

Dividends came to $2.35 a share in 1951, the same as in the previous two years, but despite the company's policy of distributing payments as liberal as possible, stockholders must look for a lower rate this year. Directors declared a special dividend of 40 cents a share in addition to three regular quarterly dividends of 40 cents each payable in 1952—a total of $2 for the year—and a regular of 40 cents payable January 1, 1953. Thus 1952 payments will be $2 a share, against $2.35 last year.

Earnings of Swift & Co. and

other major packers have fluctuated less widely than those of Cudahy Packing because of use of the "last-in-first-out" method of inventory valuations. By this arrangement costs are based on the most recent purchase of raw materials so as to minimize wide variations and reduce as much as possible inventory profits as well as corresponding losses when prices tumble. A substantial portion of Swift's product inventories is valued under the formula approved by the Internal Revenue Department. In normal times, inventories decline in the first ten months and increase in November and December when growers are sending their livestock to market.

Non-Food Lines

If it had not been for operations other than its food division, *Armour & Co.*, would have had a much less satisfactory year in 1951 than actually reported. Net earnings amounted to about $16 million, compared with $19 million in 1950, equivalent to $3.20 a share on the common last year and $3.94 in the preceding year. But of this $16 million more than 75 per cent stemmed from non-food activities. The decrease in the year of about $3 million was more than accounted for by a rise of $3.5 million in federal income taxes.

After segregating food operations, Armour management reports that earnings were equivalent to .18 of a cent on dollar sales and .07 of a cent on each pound of sales. Non-food items contributed about $12.5 million of net income, equivalent to 4.29 cents on each dollar of volume.

Pharmaceuticals continued to make headway in Armour's operations. Steady progress was reported in development of new uses of ACTH, for which wide applications in treatment of rheumatoid arthritis, rheumatic fever, gout, asthma and other diseases are claimed. Tryptar, a high purity crystalline trypsin, was approved by the U. S. Food and Drug Administration. Facilities are being expanded for increasing production, and clinical studies are being pursued in developing new uses. The drug is used in dissolving dead tissue without affecting living tissue. It has been suc-

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Reappraisal of Meat Packers

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cessfully used in tuberculous empyema, amputations, bone infections, diabetic and varicose ulcers, and in skin grafting of burns.

The company's McCook, Illinois, chemical plant finished its first full year of integrated operations with profitable results. In general the chemical division and other non-food products such as soaps, abrasives, adhesives and other items fared well in the first six months, but when anticipated shortages failed to develop, consumers reduced their demands and volume slackened. In meat packing, the company earned $5 million in the first quarter and lost $1.5 million in the following nine months after price controls had been imposed.

Net income of *Wilson & Co.*, third largest packer, presumably declined from $1.59 a share for 1950, but the setback was not so serious as to warrant management's reducing the regular 25-cent quarterly dividend. As in the case of other factors in the industry, management appears hopeful of more satisfactory results in the coming year.

Earnings of *Cudahy Packing* fell sharply in the fiscal year ended October 27. As pointed out previously, this company has not adopted the "last-in-first-out" method of inventory appraisal, so that earnings variations tend to fluctuate widely. Net profit for 1951 dipped to $1,350,411 from $3,019,238 in 1950 despite an encouraging rise in sales. This was equivalent to 58 cents a share last year, compared with $1.67 a share in 1950. Volume of business rose to a new high record at $640.4 million, compared with $583.4 million in 1950, an increase of almost 10 per cent.

Operations of *International Packers*, the former Swift International, showed profitable results in the first nine months of 1951 and gave hope of yielding net income for the year approximating 1950 results of $1.61 a share. Sales ranged about 27 per cent higher than in the previous year. Because of labor difficulties in Argentina, attributed largely to government policies which have hampered private industry, management has not been encouraged over future prospects, and despite the profitable showing it was decided to discontinue dividends.

Until price control legislation is modified and tax relief is provided, the meat packing industry may encounter difficulty in forging ahead. Armour's management points out, for example, that under present tax rates, it "can scarcely expect to improve net earnings substantially." Mr. F. W. Specht, president of Armour, summarizes the 1952 outlook for his company, and for the industry, as a matter of fact, very capably when he says:

"In normal times, your management would report to you that the outlook for 1952 is favorable. There are large numbers of cattle on the farms, and there would normally be a substantial increase in marketings. Pork production should remain at about the same high levels as in 1951. Poultry and egg production may be even slightly increased over this year's peaks. Dairy production will be about the same. Consumer demands should be good."

"All these normally are signs of a favorable year. If our experiences in 1951 repeat themselves in 1952, however, we can also look for accompanying distortions of supply, prices and costs arising from the effects of price controls on our business. We can also anticipate continuing shortages of some essential materials, such as tin.

"Under the circumstances, it is difficult to forecast what may lie ahead. Our Armour team—some 64,000 domestic employees—has shown that it can adjust itself to meet challenges and to capitalize upon opportunities. This we know it will continue to do during 1952."

Mr. John Holmes, president of Swift & Co., also comments on uncertainties of the international situation and Government policies and programs that obscure the outlook. He adds: "Past experience warns us that, under these conditions, markets tend to be unstable and unpredictable. We may have violent price rises in response to waves of buying pressures. We may experience seemingly endless price drops from the weight of heavy supplies. Food supplies are expected to continue ample—barring adverse weather. Civilians can expect more meat in 1952 than in 1951

unless OPS controls disrupt the flow of livestock to market.

"Our company faces a continuing challenge to earn profits sufficient to fulfill our responsibilities to all those we serve. Our earnings provide the incentive for investment of people's savings. They furnish the means to carry out needed improvements; to provide more efficient service to producers and consumers; to conduct research for new products and more efficient processing methods; and to give greater security for all our employees."

For Profit and Income

(*Continued from page* 645)

made at least a stiff reaction inevitable.

Are We Over-Rating Consumer Buying Power?

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period covered rose $12\frac{1}{2}\%$ but in terms of 1950 dollars only 1.2%. Average gross weekly earnings advanced 14% but in terms of 1950 dollars only 3%. Again we see how much price inflation has whittled down the gain in dollar income. And speaking of income as a measure of purchasing power, let's not forget that thousands of workers in a good many industries are working short work weeks which automatically cuts their pay down to, or below subsistence levels. That segment, too, is in no position to rush into the stores and buy.

When appraising incomes, some thought should also be given to its distribution, for without it, neither the aggregate nor per capita figures are too meaningful. When looking at distribution, we find that according to a recent analysis of the Census Bureau, the top fifth of the U. S. population gets nearly half of the nation's income while the bottom fifth gets only 3%. In other words, income is distributed quite unevenly which certainly has a bearing on spending trends. Concentrated purchasing power has not the same effect as widely dispersed mass purchasing power. In other words, considering income in terms of national aggregates is of limited value when trying to assess purchasing

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Are We Over-Rating Consumer Buying Power?

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power, and the same is equally true of personal savings of which we hear so much these days.

Personal savings, we hear, rose from $10½ billion in 1950 to $17 billion last year, with the quarterly rate during the fourth quarter as high as $23 billion against only $8½ billion in the first quarter. As a percentage of disposable income, this means a rise in this ratio from 3.9% to 10.1%. Unfortunately these savings figures are based on a residual calculation between income and expenditures and include items which are not really savings, such as debt and instalment payments. Still it is estimated that the net accumulation of cash and securities came to about $11 billion, a sizeable amount indeed and contrasting with only about $7½ billion in 1950.

The high ratio of personal saving to disposable income in 1951 was of course the counterpart of the relatively low ratio of consumption expenditures to income discussed earlier. Doubtless current savings are high, and the total of liquid savings stands at a tremendous peak. But again: What about their purchasing power and what about their distribution?

Their purchasing power of course has shrunk under the impact of inflation and this shrinkage has run into billions in view of the large amount of savings reported. It's a definite and painful depletion of assets which probably has no little to do with the current growing proclivity towards savings. People know it takes a great deal more money to protect themselves against sickness and old age than was required a few years ago. They also realize that what matters is not how many dollars you earn, or have salted away, but what you can buy with them.

People, in short, are doing more thinking about laying some money aside, hence are unwilling to overspend or dip into savings. Those who don't have to worry about instalment collectors or how to pay off the mortgage on the new house, are inclined to worry about the future—the age-old problem of security made doubly difficult under present-day tax conditions and high living costs. The latter tends to accentuate the thought that savings, too, may be distributed quite unevenly, perhaps more so than income is. The heavy concentration is among the higher income brackets because the lower brackets have no chance to save at all.

Despite inflated record figures of incomes and savings, despite almost full employment at high wage rates, there thus exists legitimate doubt as to the adequacy of effective purchasing power to absorb industry's output, particularly following the great orgy of postwar spending which has gone far towards satisfying demands of every type for some time ahead. The let-down of consumer demand has not only halted inflation but more recently caused a distinct softening in commodity markets. And the overall repercussions on the economy are not lost on the Government which has a tremendous stake in maintaining a high-level economy.

The dilemma in tax policy stands out particularly, the fact that the economy stands to suffer more from lack of purchasing power on the part of the many than from the lack of capital for business, a viewpoint that has found ample reflection in Federal taxation with overemphasis on corporate taxes and reluctance to boost individual income taxes. But in the latter respect, too, the tax planners have come to a crossroads, knowing full well that an additional boost would only further curtail consumer buying. That's why Congress is giving more attention to questions of how to cut taxes than how to boost them.

Nor is it particularly surprising that consumer credit controls are again under heavy fire. The heavy debt burden already existing has much to do with the more passive consumer attitude, yet there are many—in Government and business—who consider further relaxation of credit controls as the best means of stimulating consumer buying. It's probably true enough.

Since imposition of credit controls in 1950, outstanding instalment credit has shrunk consistently until last July when there was partial relaxation of controls. Since then, there has been a mod-

erate but steady uptrend, with the total outstanding last December again closely approaching the previous peak established in December, 1950. As already mentioned, this was substantially responsible for the moderate pickup in durable goods demand during the second half of last year.

While one cannot very well argue with the contention that the current trade slump is largely a case of indigestion, one cannot dismiss the thought that effective purchasing power is not what it is cracked up to be. Admittedly, purchasing power remains substantial and so is retail trade despite numerous complaints. Also, in the light of reduced civilian production, purchasing power will likely remain adequate to prevent any severe sliding off in business. Whether it can support any marked improvement, on the other hand, is another question. In our view, it could only come about by re-emphasis of spending over saving, and so far there are no signs of such a reversal.

Answers to Inquiries

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with the acquisition of the pig iron and coke plant in Granite City, Illinois previously owned and operated by the Koppers Company.

New Trends Disclosed by Year-End Balance Sheets

(*Continued from page* 624)

on individual balance sheets would have been less. To this extent, liquid resources as disclosed in balance sheets do not reflect the actual position as funds eventually must be found with which to make the replacements demanded by the item of depreciation.

While depreciation charges represent a considerable temporary off-set to earnings, long-range advantages are derived from averaging these charges over a period of years, so that the burden is more adequately distributed. It is true that in the case of accelerated depreciation for defense-building, unusually heavy charges must be met during the comparatively brief period of the five years permissible. However, at the expiration of this time, the stockholder derives the full advantage since the new plant, built under the liberal Treasury allowance of rapid amortization in a five-year period, is paid for substantially by the large tax savings permitted through accelerated amortization.

Obviously, these longer-range advantages must be weighed against the immediate necessities arising from finding the cash with which to build the new plants, as well as to provide for high taxes, high costs and burdensome inventories. Many companies, even those with large cash balances, therefore are making plans for new securities offerings or bank borrowings with which to finance their more pressing needs.

For some years, plant improvements have been financed by utilization of about 40% of retained earnings. Owing to the impact of high taxes, however, it is likely the current decline in net earnings will require corporations embarking on financing operations to increase their percentages of new stock and bond offerings. In view of the recent downward tendency of equities, it is probable that corporations will decide to finance a larger share of their requirements through additional amounts of bonds than they would have done had the market remained at a high level.

The accompanying table of selected balance sheet items offers a fairly comprehensive cross-section of changes among leading manufacturing concerns during the past year. While there are numerous exceptions to the downward trend in corporate liquid resources, the preponderance shows the effect of the adverse influences that have been at work. In the following, we present a breakdown of the more important balance sheet changes concerning several of the larger companies:

Chrysler Corp. showed important changes in the 1951 balance sheet. Cash and marketable securities declined from $347 million to $195.2 million. This excludes government obligations held for income tax purposes. Net current assets declined about $85 million, almost identical with an increase of the same amount in net property, plant and equipment, showing that the company's 1951 expansion was accomplished through

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New Trends Disclosed by Year-End Balance Sheets

(*Continued from page* 665)

direct drawings on the cash account.

Depreciation amounted to $25.8 million of which $7.4 million was at an accelerated rate. This latter item amounted to about 85 cents a share on the stock and total depreciation charges were equivalent to slightly under $3 a share. The company states that the permitted accumulated depreciation charges, great as they were, nevertheless failed to provide adequately for replacement of plants and facilities. Failure to make such allowances has forced the company, along with many others, to undergo a period of comparatively restricted cash, which prevents the building up of sufficient cash resources to provide for future replacement. In effect, the amount charged for depreciation for income tax purposes was lower than the amount required by operations without consideration of future plant expansion.

The change in Chrysler's financial structure is strikingly reflected in the ratio of cash and marketable securities to current liabilities which now stands at 82.4% against 151.3% a year ago. Net working capital likewise showed a decrease from $328 million in 1950 to $248 million at the end of 1951.

Caterpillar Tractor Co. showed the effects of the two-month strike at its Peoria plant in its latest balance sheet. Current assets increased $49 million but included a $41 million rise in inventories which became undigested presumably as a result of the strike. The ratio of current assets to current liabilities dropped sharply from 3.1% to 1.8%, a position that should be rectified at least in part during the current year as a result of rising sales. This will permit the working off of excess inventories into the cash position, at the same time relieving the pressure of the currently exaggerated amount of current liabilities which the $62 million in excess of the amount a year ago.

The effect of these changes is seen in the decline in the ratio of cash and marketable securities to current liabilities which now stands at 11.9% against 30.6% a year ago. This is an exceptionally low ratio and, if continued for any length of time during the current year, would indicate the possibility of financing to meet the requirements.

Heavy charges have been incurred for depreciation as a result of the $57 million expansion program of the company. About 50% of these plant additions will be amortized through the accelerated amortization program through certificates of necessity received from the Defense Production Administration, and the balance is allocable to operations under normal procedure. The company states that depreciation amounted to $7.8 million in 1951, an increase of $2.3 million. Tax savings from this item are substantial.

Sutherland Paper Co. a year ago gave thought to improving its working capital position and current figures reflect the benefits of these moves. The principal step was the borrowing of $5.5 million from three insurance companies, in addition to the conversion of the old preferred issue and its replacement later by an approximately equivalent amount of new preferred stock. As a result of these financing measures, the liquid resources position of the company improved sharply, with cash and marketable securities at $8.4 million against $2.2 million the year previous.

Increased Working Capital

Net working capital increased from $5.7 million to $12.1 million, largely as a result of the increase in cash mentioned. Inventories increased moderately by $2.9 million but are manageable in view of the sustained high operations and sales. The liquid position is strong as indicated by the ratio of 110.6% of cash and marketable securities to current liabilities. Depreciation charges of about $800,000 are normal.

Under present variable conditions in the paper industry, and in industry as a whole, the company seems to have taken a prudent step in anticipating its financial requirements. In view of the provisions already taken, it is not likely that the company will be confronted with new financing problems in the foreseeable future.

Market in Testing Area

(*Continued from page* 619)

least on a medium-term view, in periods of reaction; and probable restraint on any advancing phase. The general outlook for earnings and dividends through this year is not good enough to be dynamically stimulating, nor poor enough to induce a great deal of liquidation. The impact of taxes, and foreign contingencies, are by now an old story, with investors substantially conditioned to both.

From a defensive point of view, it is on the favorable side that the speculative position is relatively small; that the market remains investment-dominated; and that in terms of price-earnings ratios and yields—more realistic measures than the level of prices in the historic range—the market as a whole, despite attainment of record levels by some groups, has remained well under former extremes.

Between now and spring, especially if the market goes lower, but not too greatly so, meanwhile, more emphasis than at present may well be put on second-half potentials. The Treasury will be operating on the biggest cash deficit since World War II; civilian-business inventory adjustments should be complete; wage trends, with some impetus from the eventual steel settlement, will be more or less inflationary; consumer income and spending, as well as over-all industrial production, are subject to moderate increases; and there may be some upturn in commodity prices even if the previous 1951-1952 range remains intact.

There is at present a better basis for a cautious-to-neutral market view, than for a more assertive bearish or bullish view, pending more light on prospects and more positive evidence of a firm base of market support. We have heretofore advised (1) maintenance of reasonably conservative reserves; and (2) cashing enough profits in highly exploited stocks either to recover the original investment or to write down its cost substantially. Readers who have followed these advices are in an adequately comfortable position now. For those too heavily committed, with the market close to the November low at its poorest recent level, logical lightening up policy is to await either a sizable rally or more positive evidence of serious market deterioration than has yet been provided and which could only be provided over a fair period of time. There is no reason to think that stock prices are going to go through the roof tomorrow or fall apart, in the absence of a decisive and wholly unpredictable news shock.—Monday, March 3.

As I See It!

(*Continued from page* 617)

and the crucial question of how much American aid will be forthcoming. The latter is our decision; it means that Congress, just as the European parliaments concerned, can leave NATO stranded simply by refusing to implement the agreements made at Lisbon.

It is here where Congress will need a sense of practical realism. It knows that the original European defense program cannot be achieved, that the new policy must be based on new strategic plans within the capacity of the NATO members—and that this capacity requires strong bolstering on our part, both financially and otherwise. Surely NATO cannot become the instrument it has been set up to be if American leadership is weakened by a false sense of congressional economy—much as economy is otherwise in order. If we provide firm and wise leadership, bolstered by the amount of practical aid needed, there is a good prospect that the Lisbon blueprint—and that's all it is now—can be built into something strong enough to withstand whatever shocks may be in store. Right now the European Defense Community needs strength and prestige. It can get it only if political nationalism in Europe gives way to the broader concept of a European community of interest, and if we continue to do our best to help bring this about.

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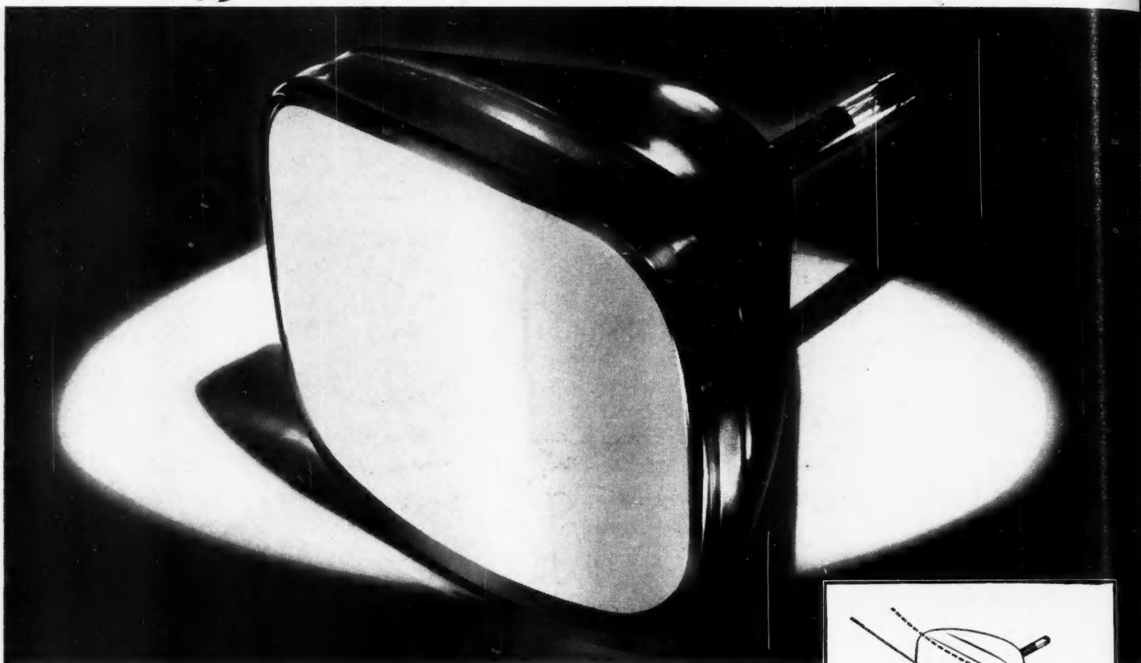

The Revolutionary 21-Inch Optic-Engineered TV Picture Tube with Exclusive Iso-Focus Beam

ANOTHER PHILCO FIRST! Another significant development in the science of television from the Philco laboratories—the 21-inch Cylindrical Face All-Glass Cathode Ray Tube, and the exclusive Iso-Focus Beam. Conceived by Philco, developed by Philco, this triumph of Philco electronic and optic research provides, by far, the highest fidelity picture in television.

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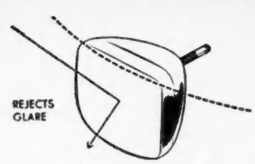
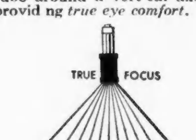
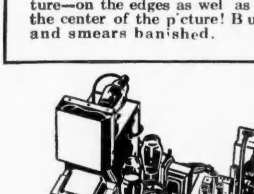
This tremendous achievement is but one of the many reasons why Philco is, by far, the most wanted TV in America. Through the years, the countless engineering advances from Philco laboratories have raised the standards of the entire industry.



Optic-Engineered
Light beams are rejected scientifically, by curving the face of the tube around a vertical axis . . . providing *true eye comfort.*



Iso-Focus Beam
True Focus in *all* parts of the picture—on the edges as well as in the center of the picture! Blurs and smears banished.



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